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On page 139, in the Current Events under the title "Diverse Islamic Views on Religion and Politics ...." 17th Congress ... should be read 27th Congress ....

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## Current Events

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### The 1985/1986 State Budget

The fiscal 1985/1986 starting as of April this year, is a year full of challenges in the management of Indonesia's economy. Entering this fiscal year the system of Value Added Tax, the implementation of which has been postponed on account of so many problems and criticisms from the public, also the state budget that has given rise to various interpretations, has been implemented.

Compared with the fiscal year 1984/1985, the state budget which amounts to Rp23 trillion this year has increased by only 12.1 per cent in nominal terms, provided that the inflation rate can be curbed at one digit and not lower than that of the previous year. This means that the increase in real terms is very small and that even the main component, that is, the development expenditures will decrease. In this regard some economic observers have drawn the conclusion that Indonesia's economic growth rate in the present fiscal year will not differ much from that of the fiscal year 1984/1985. They have even ruled out the prospect of the government's sector to function as the motor of economic development.

It is undeniable that the state budget plays a major role in creating Indonesia's economic growth. The statistical data reveal that to date a substantial part or more than half of the total investments has been derived from the government's sector in addition to the investments made by BUMN (State-owned Enterprise). Development expenditures which are broadly defined as investment in this fiscal year has increased in nominal terms by only 1.8 per cent and such a low increase has been unprecedented since the beginning of Pelita I. Due to the relatively small increase of development expenditures and the relatively large increase of routine expenditures, the composition of government's expenditures have changed, i.e. the share of routine expenditures has become bigger (54 per cent) than that spent for development (46 per cent). Such a change does not essentially indicate that the economy is getting worse because as a matter of fact there is no economic formula stating that development expenditures must be larger than the routine one.

In the present situation of economic slow growth however, without any special effort to improve the creation of employment opportunities, and the economic growth through multiplier effect, of the government expenditure the economic problems to be faced by Indonesia will be increasingly difficult. This implies that the sharpening of priorities for development projects in accordance with the absorptive capacity of the government's sector is an essential task that has to be dealt with appropriately.

Over the last few years, one may notice a trend of the absorptive capacity of the government's sector, which is relatively declining and this is reflected in the total sum of "SIAP" (the unspent budget) that is increasingly augmenting. The channeling of funds collected by the government that are not made in accordance with the fixed time schedule does certainly constitute an economic burden which will automatically increase the weight of it on account of the still existing high interests rate today.

As revenues of the 1985/1986 state budget are concerned, a quite significant change could be noted. From Pelita I up to Pelita III, the main source of the state revenue was derived from oil and gas, which has achieved an average growth rate of approximately 46 per cent annually. Hence compared with that of the previous fiscal year it is estimated that the income from oil and gas in fiscal year 1985/1986 will only increase by approximately 7.7 per cent. This trend cannot be detached from the trend of oil prices on the international market and the fact that Indonesia is tied-up to OPEC. Besides the quite small increase there are some doubts, whether the target can still be achieved.

To compensate the decline of the revenue growth, the targeted increase of domestic non-oil income will amount to approximately 30 per cent. As the components are concerned some points seem to be noteworthy. The income from export tax has been decreased by 17.7 per cent in order to stimulate Indonesia's exports. Accordingly the government has taken other supporting measures to smoothen the flow of goods from producers to consumers abroad by putting emphasis on the re-arrangement of procedures at the harbours which have given rise to complaints by the business world so far. If these efforts of re-arrangement proceeds smoothly, Indonesia's exports will undoubtedly go up considerably.

What seems to worry the economic observers is the targeted increased income from Income Tax amounting to 25.4 per cent and that of the Value Added Tax at 73.9 per cent. This target is considered to be too optimistic and if it is forced to be achieved, it may bring about a negative impact to Indonesia's economy, for example, in the form of tax evasions and a decline of investment. This anxiety is not without foundation, however, if the government is successful in expanding the number of tax payers or to spread the tax



burden, the targeted income seems not too difficult to be achieved properly since approximately 60 per cent of the increase of the Value Added Tax is derived from oil (domestic sale) and the total targeted revenue from corporation tax of 1985/1986 the amount of which is still below 10 per cent of the surplus of enterprises in 1980 (which means being lower than the minimal tariff of Corporation Tax), such a target is not difficult to be achieved. In this context however what seems to be more important is not the targeted income, but the incidence of those taxes so that it will not pose problems in the next fiscal year.

Many people estimated that before the budget had been submitted to the House of Representatives the government would increase foreign loans in order to balance the expenditures that has to be increased (and to achieved the targeted economic growth). This conviction came about because up till now the realisation of loans was much smaller than the commitments of the donor countries. Until 30th June 1984, for example, Indonesia's foreign loan that had been realised totalled only US\$32.841 billion out of the total commitment of US\$46.123 billion. However in the budget year 1985/1986 the projected loan is precisely lower than the previous fiscal year. This policy seems to be based on the consideration that at present Indonesia's debt service ratio has reached the "yellow signal" and called for caution.

By and large one can say that through the 1985/1986 state budget the government will make efforts to mobilise the economy by increasing the demands and solving the economic problems faced such as the need for export intensification, providing job opportunities, improving the productivity of the use of funds. To what extent these aims as targeted will be achieved through those endeavours, will very much depend on how far the government is able to effectively coordinate all its actions to be carried out.

*Pande Radja SILALAH*

## **The Problem of Economic Concentration**

In the wake of 1984 issues on economic concentration, monopoly and oligopoly were widely discussed amongst intellectuals, business circles and politicians as well. It is not just a coincidence that precisely at the time of the recession inflicting the national economy, it were particularly those issues that emerged more pronouncedly on the arena of economic life. It seems on the superficial surface as if the powerful became more powerful, however it turned

out that by "natural selection" in economic activities those, the efficient will survive, and those who were not, have to give up.

Indeed the recession has caused a slow-down in market demand, which has consequently led to the decline of business companies turnover. On the other hand the question arises with regard to "natural selection." Statements made like "iron curtain" to market access, reflects the existence of artificial constraints against the efficiency of economic competition. Recession may be a complementary factor, but the existence of constraints against competition had existed before economic recession over-ran the international market. This means that mentioned constraints were already felt, and with the "exit" of some companies, the "market share's" calculations by oligopolistic companies will have to become higher as well. Hence, if prior to that, there existed oligopolistic companies having a moderate concentration, with the narrowing of the market structure, the chances to proceed to the oligopolistic stage with higher concentration will become greater.

Concentration will certainly not be detected if economic activities are of a stationary nature, in which all economic variables are in a state of an equilibrium. But in an economic world of changes and developments, an equilibrium is only a theoretical concept which is indicative in nature. This is also the case with economic activities in Indonesia. With the enactment of the Act on Foreign Investments (1967) and that on Domestic Investments (1968), the market structure in Indonesia has become oligopolistic and monopolistic. Those large-scale companies have contributed a more significant share -- especially at the stage of market expansion -- to the economic growth, than the poly-poly companies. This is even more true if viewed in the light of Harrod Domar's growth theory, which also encompasses the causal sequence of growth; great profit will also bring about a high investment rate, while a high investment rate will also step-up economic growth towards a higher standard.

This will however, not be the case if viewed from the angle of demand. At the stage of maturation and stagnation (the concept of market stages), the demand stratification for certain products has for the greater part been met, so that the room for market expansion is very small. At this stage oligopolistic companies are competing for the market share and for this they use tactics of lowering prices rather than using the "push" strategy through advertisements, companies are competing for the market share and for this they use tactics of lowering prices more rather than using the "push" strategy through advertisements, differentiation of products and reducing the quality of goods. This is the more so when there is a decline in demands at the stagnation stage of the market, as is the case with Indonesia now. Those companies are "blocking" each other, resulting in a cry for a fusion or what is known now as cartels in times of crisis.



One can imagine what happened to the market access. Questions arise with regard to the freedom of enterprise and the people's participation in the business world which have often been resounded. The effect on "disguised inflation" has also not been insignificant, especially if we examine the term "administrative price" set by leader companies on the basis of target pricing, and not on the basis of market competition. Another question arises thereof on income distribution, either amongst companies, or amongst the workers, by which all of these have led towards the question of social welfare.

Every dynamic economic activity will certainly recognise the existence of "power" be it in the form of a cartel, monopoly or oligopoly. Any economic society which does not recognise the existence of power is utopian, since it is human nature, being a "homo economicus" to aspire after that satisfaction. The most important question is not, how an economy without power can function, but on how to organise an economic society, as such, in which mentioned economic power may have a positive impact on the efficiency of economic competition. To this end some conditions are required for the competition, i.e. the prevalence of a legal order that opens possibilities for: (1) free enterprise; (2) the freedom to make contracts; (3) a stable monetary system; (4) the capability to ensure the protection of competition against various restrictions.

In order to realise positive competition, on the demand side, active reaction by consumers is called for with regard to products offered to them on the market. This means that a quality selection of companies' goods is needed by consumers; there is a shift of preference from bad quality goods to better ones. If there is not such a reaction, efficient competition is not likely to happen. Conversely from the side of demand not only possibilities are needed, but also an awareness to undertake business is required. This means an awareness to offer products fairly, and to refrain from using means that may hamper sound competition. The less companies possess this "spirit of competition," the more possibilities of competition restrictions will occur which would be at the disadvantage of the society.

Competition also means that the market yield of each economic subject is very much dependent upon one's rival's activities. This existence of interdependence forces each competitor to use all means in order to defend one's market position. The result of those reactions will certainly be full of uncertainties, where failure is likely to happen. Hence it often happens that the competitors make efforts to minimise those uncertainties and risks through means that may hamper efficient competition.

One of the obstacles of competition is economic concentration, which may emerge in various kinds and forms. Concentration can be divided into the

following types: concentration in the market of goods (industry, trade), or in the labour market, and also in the capital market. Those types of concentration also assume different forms, which are often closely related to one another in terms of their perceptions. For example, functional concentration (the fusion of several companies, cartel, concern or trust), concentration of ownership (ownership of some shares, and of diverse patents) and personal concentration (to have the authority to make decisions in the government, and indirectly to acquire more room for activities in the economic sector).

To ensure the functioning of economic competition, which is also a basic concept of the economic system based on decentralised control, some instruments are required to control mentioned "market concentrations." Those instruments may be imperative or indicative in nature. Basically imperative instruments do not give positive instructions to the market behaviour, but sheer prohibitions against some items which may decrease the efficiency of competition. That instrument may assume the form of an Anti-Competition Restriction Act (such as in West Germany), or the Anti Trust Act in the U.S.

How are the instruments used in Indonesia to tackle the problem of competition constraints? Through government efforts such as, credit policies, providing facilities for the economically weak group, and the establishment of growth centres in the regions, it is obvious that the instruments are indicative in nature. Unlike imperative instruments on which legal sanctions are imposed, indicative instruments do not have any legal sanction if those facilities are not utilised

In this regard the question arises concerning "diagnosis" and "therapy;" as to whether the diagnosis has been correct, and whether its therapy is in conformity with the diagnosis obtained. Are the means provided enough to arouse the active participation of the society, for example, in business opportunities? Furthermore, the term participation implies the concept of free enterprise, which is a prerequisite for an efficient economic competition. Conversely free enterprise calls for a free access to markets. Does such a market access exist in Indonesia?

Further, the most fundamental question is one that poses a dilemma: equity or growth? Here lies the function of economic policies which reflect itself in the form of coordination of the development aims to be achieved. If economic growth is to be achieved the principle of equity will be put aside and vice versa. So that before formulating those aims, a study on the relationship between those aims is needed (conflict, complementary, substitutive, value free). In addition, the question of operational probabilities of an aim is an important factor in transforming those aims into economic activities; can those aims be measured (qualitatively or quantitatively?) If so, what is the criteria?



The criterion of economic growth, for example, is manifested in the real income per capita, or in the Gross Domestic Product, which can all be spelt out in figures. But aims, such as equity or national stability are objectives qualitative of nature, and it will be very difficult to find the appropriate criterion for those two aims. Hence an equilibrium tendency is often used as the criterion for those qualitative aims.

It is but certain that it is not the criterion that pose as a problem to those questions cited above, but what should be discussed are the consistency of the development aims preference and the therapy for the constraints in them.

Market concentration does indeed give a significant contribution to the economic growth, on the other hand however, that power may constitute a constraint against equity in enterprising. Consequently thoughts emerged regarding the urgency of the Anti Competition Restriction Law, especially in the face of the arduous years of Repelita IV (the Fourth Five-Year Development Plan). It should be considered -- in the short run -- not in the context of economic growth, but rather from the social welfare point of view because a social gap may result in a latent threat against national stability.

*Engelina PATTIASINA*

## **Indonesia's Food Policy: Learning A Lesson from A Success-Story**

The agricultural development and its contribution to Indonesia's economic development seems interesting to note. Not only because it serves a substantial part of the Indonesian population, but it seems that the success of Indonesia's economic development so far is closely related to the successful performance in the agricultural sector, particularly in terms of food.

In general the contribution of the agricultural sector to national development can be divided into at least four categories, namely: (1) Domestic Food Supply; (2) Domestic Market Scale; (3) Supply of Domestic Saving; and (4) Supply for Foreign Exchange earnings. The agricultural policy, particularly with regard to the first contribution -- domestic food supply -- will become an important part of this analysis, since food constitutes a strategic commodity, and has therefore become the focus of attention in the national economic development. Secondly, to date the food policy has a rather wide implication on the life of farmers', food consumers and national economy. Apparently one



may learn many lessons from this policy, either for the continuation of the policy concerned, or for other strategic issues.

### **Technology Based Strategy**

The food policy has become an important part of the national economic policy since independence. Various efforts have been made, which were generally intended to achieving selfsufficiency in food. Unfortunately, up till the mid-1960s, this policy did not attain its objectives. There was even a food crisis which was unavoidable concurrently with the setback of the national economy. It had a wide implication, including socio-political disorder and disruption of national stability in general.

Efforts to reach the stage of selfsufficiency in food were continued and even stepped up by the New Order government. Although it is different from the previous one, the latter policy is marked with a revolution in the field of agricultural technology. The development of High Yielding Variety (HYV) for diverse food commodities, the application of fertilizers and pesticides have brought about a wide range of alternatives in food policy in many countries, including Indonesia. The choice of this policy can generally be classified as: (1) resource based strategy; and (2) technology based strategy. The former stresses on the development of familiar production methods, while making a diversification of agriculture. Conversely the latter's emphasis is on the application of new production technology by applying HYV, fertilizers, pesticides and irrigation.

Apparently, the history of agriculture in Indonesia shows that the adoption of the technology based strategy is more viable than that of the former. This is especially obvious since the development of the rice production method based on a Bimas (mass guidance) schema by the Bogor Agricultural University in 1963. This schema was initially based on the effective use of water for adjacent ricefields. This means that the farmer in the same ricefield has to apply the same activity pattern in all aspects of farming. This uniformity has further inspired the practice of guidance together, which is henceforth known as mass guidance. Those two aspects are the basic ones in the Bimas (mass guidance) programme. Meanwhile the application of fertilizers, pesticides and primer seeds constitutes an important part of the technology based strategy. However, as the farmer is not yet capable of providing these agricultural inputs, a policy on cheap credits has been adopted parallel to the Binas programme itself.

Although the potentiality of non-rice food has not been overlooked, the measurement of selfsufficiency in food is still dependent on the achievement

of selfsufficiency in rice. Hence the Bimas programme is developed first for the commodity of rice.

The paddy programme has so far undergone diverse variations and modifications. The result generally is the increase of paddy production so that virtually the stage of selfsufficiency in rice has been achieved since 1981. In 1969 the production of rice was 12.3 million tons, while in 1981 it reached 22.3 million tons, which means an increase of 5.0 per cent annually. In 1985 rice production is estimated to reach 26.1 million tons which is an improvement of the selfsufficiency stage.

Elements of the increase of rice production are the increase of its yield and the expansion of its acreage. During the period of 1969-1981 the yield has increased by 3.7 per cent annually, i.e. from 1.53 tons/Ha to 2.38 tons/Ha. Whereas the acreage has expanded by 1.3 per cent annually from 8,014 million Ha to become 9.376 million Ha. This means that the role of intensification is quite great in increasing rice production.

### **Price Policy**

The agricultural policy for the provision of domestic food also implicates instruments for the improvement of the farmer's economy. And one of the important instruments is the price policy.

The floor price is fixed periodically to prevent the decline of prices at harvest time from exceeding the lowest price limit so as not to inflict loss to the farmers. To this end the production surplus is absorbed by the government through the food purchase programme. Conversely a price increase at time of scarcity is controlled through market operations, i.e. by selling the rice stocks. Those two aspects are executed through a buffer stock mechanism of food on a national scale. In this way the farmers will not suffer a loss and will be stimulated to increase their production, whereas the consumers will not be burdened with a very high price increase.

Another aspect which is important enough in the price policy is directing the pattern of food. As is known, the main staple food, aside from rice consists of maize, cassava, sweet potatoes and sago. Certain areas have great potentialities to produce those non-rice food. Therefore, together with the increase of non-rice food production, efforts are also being made to direct the pattern of food consumption. Presidential Instruction No. 20/1979 on the improvement of the people's menu constitutes one of the important instruments in the diversification programme of food consumption. Its aim is to achieve a balanced pattern of staple food consumption in accordance with the potentiality of each respective area.



### Institutional Aspects

The food policy cited above also covers the development of institutional and administrative aspects. At the national level, the policy of food production has been laid down by the *Badan Pengendali Bimas* (Mass Guidance Controlling Body) headed by the Junior Minister for Food Production, who is subordinated to the Minister of Agriculture. This body, was established by virtue of the Presidential Decision No. 6/1979, and is interdepartmental in character. At the provincial, district and sub-district levels there are the *Badan Pelaksana Bimas* (Mass Guidance Executive Bodies) in line with their respective levels. Whereas at the village level, the channeling of agricultural inputs, as an important part of production increase, is done by the *Koperasi Unit Desa* (KUD = Village Unit Cooperatives).

Meanwhile, the price policy and distribution of food at the national level is determined by the *Badan Urusan Logistik* (Bulog = Logistics Body) with its logistics depots at the provincial level. This body is responsible for the price control and food distribution. At harvest time, Bulog buys the production surplus through Village Unit Cooperatives (KUD), while during times of scarcity Bulog sells its reserves through private traders. Its aim is to stabilise the price.

### Perspective

From the above analysis a summary can be made that the food policy comprises three sub-systems which are: (1) the production sub-system; (2) the distribution sub-system; and (3) the consumption sub-system. The first two sub-systems have respectively been able to function in regard to the production increase, in the price policy and distribution as well, although improvements have still to be made so far. On the other hand, the third sub-system seems not to be functioning as expected on account of the programmes which are of an indicative nature.

The above story of success in the food policy is nothing else than the great contribution the agricultural food sector has to the national development. It would have been difficult to imagine how the consequences would have been if the food economy had not been able to emerge as the motor of economic growth, immediately after the national economic debacle in the mid-1960s. Even in facing the international economic fluctuation, after the diminishing role of oil, the resistance of the sector of food agriculture is quite encouraging. At the time of a national economic recession, the growth rate of the agricultural sector in 1983 stood at 4.8 per cent, which was much higher than that of the industrial sector which was 2.2 per cent.



It does however not follow that there are no problems. The stress of the programme in increasing production at the highest possible rate seems to have brought about problems in controlling the quality of food products. The development of high quality varieties and method of production have so far not as yet solved the problem of low quality food. The impact is noticeable from the low production value, food security and the more so, on the income of the farmers.

More important in this expose is what one may learn from the rice policy. It would not be an exaggeration if also other food commodities can learn from this story of success; from the viewpoint of technology, institutions as well as other social economies.

*Sudarsono HARDJOSOEKARTO*

## **Diverse Islamic Views on Religion and Politics After the 17th NU Congress**

The (Nahdlatul Ulama) NU's 17th Congress was held in Situbondo from December 8-12, 1984 with the theme: "Based on the 1926 NU's Khittah (base) to cultivate togetherness and to expand participation in development for the stepping up of services to religion, the Nation and Country." In line with the theme and to answer urgent issues, the congress has issued some important decisions which are among other things: (a) to return to the 1926 Khittah, for the consolidation of the role of ulemas, which is of a collective nature in Islam; (b) NU as an association is not tied-up to any social or political organisation; (c) it gives its members the freedom to determine their own political aspirations; (d) it accepts Pancasila as its sole principle in its organisational life.

The decision on the points referred to above by the NU Congress has elicited reactions and views on the relationship between (Islamic) Religion and politics among the Islamic circles themselves. Those views are as follows:

*Lukman Harun* from the Muhammadiyah Central Board, was of the opinion that the return of NU to the 1926 Khittah is a *logical* step after its failure in the political arena (the split within PPP -- the United Development Party -- as well as due to PPP being no longer an Islamic party). Whereas *Muhamad Dawam Rahardjo*, Director of LP3ES (Institute for Social and Economic Research, Education and Information) commented that NU took an opportunistic stand in politics. This characteristic has unconsciously become its

culture. Meanwhile, according to *Mahrus Irsyam*, a lecturer at the Faculty of Social and Political Sciences, University of Indonesia, who has been brought up in an Islamic environment, holds the view that NU's decision to return to the 1926 Khittah is a *good solution*, since NU is technically based, in that, it is not rigidly and legitimately based on the Qur'an and Moslem tradition, but rather adheres to the mazhab (school of thought concerning Islamic law) of the 4 great ulemas, namely Syafi'e, Hanafi, Maliki and Hambali (*Tempo*, 15 December 1984).

Still in the context of NU's decision, *Dr. Alfian*, Director of the National Cultural Research Institute of LIPI said that the step taken by NU is *a new breakthrough* in NU's political life, because NU will become stronger as a social force in the future which is oriented towards social development, educational and religious programmes. Similar views have also been expressed by an outstanding historian, *Dr. Taufik Abdullah*, who observed that the return of NU to the 1926 Khittah *was not to reverse the course of history*. Islam at any rate has always been aspiring after the realisation of a devout society that is blessed by God. It is not to be achieved through political means, but through a *concrete development strategy of the Islamic society* (*Kompas*, December 14, 1984).

Meanwhile, *Dr. M. Amin Rais*, political observer and lecturer (of the Faculty of Social and Political Sciences of Gadjah Mada University) opined differently. According to him, NU's decision to return to the 1926 Khittah -- by quitting the political arena, was an over emotional act, spontaneously made due to overenthusiasm. He queried the following three items: (a) Is the 1926 Khittah still relevant in the current political and socio-cultural environment? (b) Does NU have the necessary infrastructure to operate in the social, educational and social welfare fields? (c) The majority of NU members live in rural areas with an averagely low political consciousness, consequently should there be a socio-political force strong enough to win the NU masses and which direct them towards an orientation incompatible with the 1926 Khittah, wouldn't the Situbondo Congress have produced just a dream bound to become a failure? *Dr. Amin Rais'* view seems to start from his opinion as enumerated in the "Preface" of the book entitled *Islam dan Pembaharuan* (Islam and Reform) by John J. Donohue and John L. Exposito which reads as follows: From the very outset it was not possible to separate Islam from state politics. In addition, Islam has never recognised the compartmentalisation of human life into two dichotomic compartments, i.e. the worldly life and that of the non worldly. Therefore, as of its birth Islam has comprehensively discussed as to how to manage the entire human life in all its dimensions. Furthermore: It is but certain that Islam has never formulated any form of a state to be established by Moslems. To Islam, it is the substance which is regarded as important.



Dr. Yahya Muhaimin, who is also a lecturer at Gadjah Mada University puts forward his view which is different from that of Amin Rais. He opined that the NU leaders purported to give *a new format to political life* through their decisions, so as to enable NU to play a more significant role. This statement was elaborated further by pointing out that: (a) the essence of NU, since its establishment does not merely constitute a pesantren -- Islamic religious training centre -- organisation; (b) the people currently sitting in the Tanfidziyah (Executive Board) are endowed with high political awareness, such as Abdurrahman Wahid, Mahbub Djunaidi and others. They are aware that they have to influence the decision making process. What would be observed is where the orientation of the process goes. To this end it should be kept in mind that a close relationship has been established between NU and the government, particularly with the Armed Forces, aside from the relationship between NU and the Islamic scholars. This close relationship is very important. Stating its firm stand concerning the right to politicising reflects their desire to actively take part in politics independent from religion, as is common knowledge, although it does not follow that they should be considered being secular. At the closing of this statement, Yahya admitted that all the items that he had put forward represent just a rationalisation of NU's withdrawal from PPP (*Suara Karya*, December 14, 1984).

Dr. Nurcholis Madjid, the former General Chairman of the Central Board of HMI (Islamic Students Association) and currently staff member of Leknas LIPI (LIPI's National Social and Cultural Institute), whose tone is slightly different from that of the others, considered NU's decision to quit the political arena as a depolitisation process. This happened on account of a de-islamitisation process of the party. According to him, the goal of Islam's struggle in Indonesia will be rapidly achieved if there occurs a de-islamitisation process in the socio-political forces, particularly with regard to NU and Muhammadiyah. This de-islamitisation process is important and imperative since Indonesia is in fact undergoing an Islamitisation process. He gave a few examples, such as, the call to prayer through loudspeakers from Marocco to Merauke awakens us every morning; many intellectuals amongst the Muslims begin more openly to use Islamic symbols and Qur'an recitals are more widespread everywhere (*Suara Karya*, 12 December 1984).

He reaffirmed his opinion in his interview with the *Tempo* weekly, and said: "today more and more people hold to the idea of a Moslem Society, not a Moslem State or Islamic State." According to him, the moslem society does not any longer stress on state matters, but emphasises more on social problems. "I myself am inclined towards the socio-cultural approach, in which politics is also included. This would be more lasting than sheer political approach. Hence the crucial point is: do we have to force that political angle or let it develop naturally" (*Tempo*, 29 December 1984).



The above views, responses and comments with regard to NU's decision to return to the 1926 Khittah were mostly based on logical reasoning or rationalisation, which are either based on the past history or on NU's character and stance as an organisation shown so far. What has really happened and what is in fact the purpose of NU's decisions, only the NU leaders themselves know it thoroughly. In their hands lies the key of the answers. It is they who will lead, give the colour and character, and direct towards the targeted goal, be it intermediate or final. It may therefore be very interesting to study the views and responses of NU leaders on those matters.

For the NU leaders elected in that Congress, "the decision of the NU's 17th Congress concerning the return to the 1926 Khittah and the adoption of Pancasila as the principle of NU should not be merely accounted for to the present political constellation in Indonesia. That decision is exactly directed towards the core of the matter, in that it is to intensify social and religious activities." This was asserted by the Ro'is Aam Syuriah -- NU (Chairman of the Ulema Consultative Council) *K.H. Ahmad Siddiq*, and also reaffirmed by the General Chairman of Tanfidziyah, *H. Abdurrahman Wahid*, who denied that the Congress' decision was an emotional step. He asserted that the decision had been the subject to thoughts long before the problem in the organisation of PPP arose. The Congress' decision is an endorsement of the decision of the Ulemas National Deliberation at the pesantren of Salayiah Syafiiyah, at Sukoredjo (Situbondo) in December 1983.

According to *K.H. Ahmad Siddiq*, who is known as a prominent analyst among NU circles, although facing all kinds of criticism and scorns, the organisation has to go on in accordance with the decision of the Congress. It is indeed not easy and takes time, but he optimistically viewed that all the endeavours would be carried out smoothly. This is among other things due to the organisation's main capital, that is, the current NU executive board comprising ulemas, analysts and the younger generation. The composition of the board with mentioned three criteria is a personal legitimisation (*Kompas*, 24 December 1984).

If this is the case, is the NU presently no longer involved in politics? *H. Abdurrahman Wahid*, General Chairman of Tanfidziyah NU, who is concurrently a wellknown columnist, wrote, "... do not think that NU does not want to be involved in politics. NU cannot detach itself from politics. Islam cannot be separated from politics. Accordingly, NU as an Islamic organisation, cannot be detached from politics. If it is said that NU does not take part in politics, it should be viewed in terms of an institution, in that, NU is not a political vehicle and is not dependent on one of the political vehicles. At any rate NU members cannot be detached from political outlook in the sense that

politics is regarded as a means to organise the life of the state and nations.” (*Pelita*, 28 January, 1985).

In this regard, according to *K.H. Ahmad Siddiq*, Islam is not a political movement, and politics is only one of the means to achieve the objectives of dakwah (propagation of faith). If there is no other means to be used, then politics is to be used. Islam, he said, is a dakwah movement, of civilisation, and constitutes also a socio-cultural and an Iqro (science) movement. Thus Islam does not intend to wage war, nor does it desire to become a dominant power, but it wants to make Iqro its motivation (*Sinar Harapan*, 21 Desember 1984).

Is there, accordingly, any relationship between NU and the International Islamic movement or Islamic brotherhood? In the context of Ukhuwah Islamiyah, which means the Islamic brotherhood, by which it is presumed that there is an organic unity of Moslems throughout the world, and has consequently an universal perspective. NU however has made its own choice as NU has developed an Ukhuwah Islamiyah of its own that has to foster the national interest and has made its choice on the “nationality of Islam” and not merely on its universality, said *H. Abdurrahman Wahid* (*Pelita*, 1 December, 1984).

In this interview with *Suara Karya* daily (8 Desember 1984), *Abdurrahman Wahid* said: “After PPP has been converted from an Islamic Party into a Pancasila Party following the Party’s Congress which decided to adopt Pancasila as its sole principle, NU should be able to look for itself an appropriate political format. As a social institution with political aspiration, NU should have a national outlook, which is not merely of Islamic format. And it is on that basis that NU has to take a just stance vis-à-vis all existing socio-political forces, and should make efforts so as to enable the moslems in their aspirations can be included and be applied in the socio-political force using the rules of the game as laid down by law. Accordingly we have made a new format, NU’s political format is *national politics*, and is no longer group politics. It is no longer a group interest organisation, NU has to render services, not only to its own interest but also to the interest of those outside the organisation (*Suara Karya*, 8 December 1984).

In this regard the concept of “ahlussunnah waljama’ah (following the prophet’s tradition), a concept that lives among NU followers, is given a particular place. It is intended to function as a special directive to direct the internal view of the group, whereas the state’s ideology serves to function as a directive of the life of the nation and society as a whole. Hence, as citizens, they have to abide by the state’s ideology, Pancasila, and as NU members they have to abide by the special internal rules which are only applicable to those who are of the same conviction. The general regulations (the Pancasila



ideology) may just as well be adopted in the life of their organisation, as long as it will not abolish these special rules. In other words, Pancasila is acceptable as the organisation's principle, as far as it does not "push away" the concept of *ahlussunnah waljama'ah* in NU's life itself. NU is a concept, it can accept an coming from outside ideology, to the extent that it does not imprison its own concept (*Pelita*, 27 October 1984).

With regard to the unitary state of the Republic of Indonesia, *K.H. Ahmad Siddiq* said in an audience with the President that, as for NU, the Republic of Indonesia is a nation state with a population comprising mostly moslems. Hence the Republic of Indonesia is a final endeavour of the whole nation, especially of the moslems to establish a state in the Nusantara territory. "Thus, there may not any longer be any other thoughts among the Indonesian moslems. It will not be our concern if that happens at another place," said H. Abdurrahman Wahid, the General Chairman of Tanfidziyah. He added, "By that decision alone however, the problem has not as yet been solved. The framework has been made, it still remains to be seen how to fill it." (*Kompas*, 15 February 1985).

SUWARDI

## Demythologising the China-Indonesia Trade

Twenty years have proved insufficient for Indonesia to learn how to live again with the People's Republic of China (PRC), a giant neighbour whose importance in shaping cultural, political and economic life in the Asia-Pacific is rapidly growing. The recent talks in Indonesia about possible resumption of direct relations with China have led nowhere. The reasons are manifold, some of which appear emotional rather than logical.

It will certainly be ahistorical to forget the involvement of the Chinese Communist Party (CCP) in the aborted PKI's coup when Indonesia was facing cultural, political and economic turmoils in the mid-sixties. However, it will be similarly ahistorical to conduct foreign policy according to an Indonesian saying: "Once you fail to pass, the mistrust will last forever." No diplomatic debacle is deadly enough that it prevents nations from pursuing a new start. In other words, the CPP's involvement in the PKI's coup cannot convincingly explain the present Indonesia's policy toward the PRC. Neither the bifurcate foreign policy of the PRC is a sufficient argument against a new start. There is no strong reason to believe that the herbivorous Chinese panda is a beast while



the carnivorous Russian bear is a beauty. On the other hand, there are signs of willingness on the side of the CCP to weaken its support to the PKI's remnants for the sake of an improved state-state relations,<sup>1</sup> although it is illusory to expect that the CCP or any other ruling communist party will totally escape its "international responsibility" in assisting like-minded socialists in their pursuance of the "liberation dogma." Should an opportunity arise, communist parties will certainly stretch their helping hands even at the expense of state-to-state relations. Finally, mention has occasionally been made of the so-called "yellow threat" as if the PRC is yellow rather than red coloured. This threat appears mythological rather than real, except in a very broad sense according to which every big power is a potential threat to the surrounding countries.

I do not intend to exclude in an a-priori way the threat the PRC may pose to Indonesia. The point is that such a potential will not substantially weaken, let alone disappear, following the present disengagement. On the other hand, one needs to explore the extent to which there are arguments in support of direct relations in general and of direct trade with the PRC in particular.

Mention needs to be made of the apparent priorities of Indonesia's development policy in the years to come. The wish to absolve the transition to a modern society as early as the year 2000 necessitates a tremendous flow of foreign exchange to back up the industrialisation programmes. Yet, ultimately, there is no alternative to trade to earn this foreign exchange. Therefore, it is a necessity to understand the trade environment Indonesia is likely to face and the role that the PRC is likely to play in it in the coming years.

Indonesia's traditional markets, namely Japan, United States and Europe, are increasingly difficult to penetrate. The better the export of a developing country performs, the more hurdles will it be facing in these markets. In fact it can be argued that these countries are afflicted with a kind of "trade decadence" by treating the more successful among the developing countries worst among their trade partners. This, however, does not imply a must to turn to the PRC's market. Indonesian exporters can choose to go to ASEAN, the NICs, Canada, Eastern Europe or somewhere else. The point is that each export market should be treated as a complement rather than a substitute meaning that the PRC's market should not be neglected, even if other markets were easily penetrable. One market is as good as the other as long as it serves the policy objectives. However, those who strongly suspect the PRC may still argue that the importance of a market is one thing and direct trade is another

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<sup>1</sup>See for instance William R. Heaton, "China and Southeast Asian Communist Movements: The Decline of Dual Track Diplomacy," in *Asian Survey*, vol. 22, no. 8 (August 1982), p. 779. See also Lilian C. Harris, *China's Foreign Policy Toward the Third World* (The Washington Papers, no. 112), 1984, especially pp. 50-55.

thing. In fact, Indonesia's export can continue to penetrate the PRC's markets by relying on intermediaries such as Hong Kong, Singapore or even the Japanese trading houses and, thereby, avoid a possible "contamination" which may result from direct contacts. This argument is not totally false. The China-Indonesia trade may even suffer rather than benefit from a shift to direct trade in view of the apparent weaknesses of both countries in managing international trade. This is an argument against direct trade which is solely built upon the desire to skim the intermediaries' margin. However, one important point needs to be raised here. Indirect trade may work well, as long as it is in the interest of the intermediaries. Export of coffee or plywood from Indonesia to the PRC may have benefitted from the superior trade services of Hong Kong or Singapore. But can we expect that these two countries will promote in China the sales of Indonesian garments or electrical apparatus which compete with their own products? Nor is it realistic to expect that intermediaries will get themselves involved in trade with items the marketability of which is still questionable. In other words, indirect trade does not exhaust the trade opportunities that exist between an origin and a destination.

Another argument for direct trade lies in the need to comply with international agreements like GATT of which both Indonesia and the PRC are signatories. This adherence to GATT calls among other things for a non-discriminatory treatment both country-wise and commodity-wise. Furthermore, a more accommodative attitude toward the PRC may also improve Indonesia's political prestige among the countries of the Third World which apparently find the PRC as a useful reinforcement in the North-South debates. What is more, the ongoing economic reforms in the PRC is of high relevance to Indonesia's future trade. On the one hand, they may render new trade opportunities but, on the other hand, lead to an increasingly tough competition Indonesia has to face in international markets. In order to have a clearer idea of what is at stake, the main elements of the reforms are featured in the following section.

### **The Chinese New Economic Policy**

To the astonishment of outsiders, ruling reformers within the socialist countries frequently turn out to be much more determined in their experiments with the market mechanisms<sup>2</sup> compared to governments of many developing countries who prefer the state capitalism to a greater reliance on market mechanisms. To attain the objectives of Deng's Four Modernizations, far-

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<sup>2</sup>Lenin's New Economic Policy, 1921; Tito's Workers' Self-Management, 1950; Kadar's New Economic Policy, 1968; Similar attempts in Poland and Czechoslovakia, if largely fail so far; China's economic reforms since 1978.



reaching reforms have taken place in the PRC's economic system. The Commune System in agriculture has been replaced by a Responsibility System (Work Responsibility and Contract Responsibility).<sup>3</sup> Under the new schemes farmers' income is geared to output, opening up opportunities for productivity improvement. The preliminary results are encouraging in terms of overall output, although new problems do arise such as a worsening income distribution.

As regards industrial sector or the urban economy in general, mention must be made of the "Decision on Reform of the Economic Structure" adopted by the CCP's Central Committee in October 1984. This decision includes liberalisation measures, aiming at the transfer of responsibility to a very large extent from economic ministries to individual enterprises.<sup>4</sup> It may set free the country's productive potential in addition to the strong performance of the industrial sector in the last years.

Of more direct relevance to Indonesia is certainly the apparent firmness of Chinese government to develop Special Economic Zones in a progressive way in which Export Processing Zones are included.<sup>5</sup> The provisions are generous, compared for instance to Indonesia's Foreign Investment Law, and are expected to be able to attract no less than 2,000 investors with investment value as high as US\$5 billion to the year 2000. To support this programme, necessary reforms have also been made in banking, foreign trade regime and exchange system.

It is impossible to scrutinize the Chinese New Economic Policy in a note like this. Suffice it to say that it will produce a mix of opportunities and challenges. China's import demand for both consumers' and producers' goods is expected to increase from which some Indonesia's exportables may profit. On the other hand, China's export is also expected to expand rapidly, consisting of products which, by and large, are similar to those exported by Indonesia. China, therefore, is going to be a strong competitor to Indonesia. She even seems to have a better bargaining position compared to Indonesia in dealing with Japan, the United States and, probably also, South Korea.

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<sup>3</sup>See for instance Hsiao Chen-mei, "The System of Contracted Farm Production," in *Issues and Studies*, vol. 19, no. 8 (August 1983), pp. 10-12.

<sup>4</sup>According to this decision each enterprise has the power to adopt flexible and diversified forms of operation; plan its production, supply and marketing; retain and budget funds it is entitled to keep; appoint, remove, employ or elect its own personnel; decide on how to recruit and use its workforce, and on wages and rewards; set the prices of its products within the limits prescribed by the state; be responsible for its own profits and losses. See An-Chia Wu, 1984, "Economic Restructuring in Mainland China: A Political Perspective," in *Issues and Studies*, vol. 20, no. 12 (December 1984), pp. 10-24.

<sup>5</sup>See for instance Clyde D. Stoltenberg, 1984, "China's Special Economic Zones: Their Developments and Prospects in *Asian Survey*, vol. 24, no. 6 (June 1984), pp. 637-654. In addition to special economic zones there are 14 open cities.



No doubt, the future of the Chinese New Economic Policy is subject to great uncertainties. Resentments against the reforms are apparent among various segments of the society. However, it will mean a frivolity to speculate on an immediate nullification of the reforms in case of a change in PRC's leadership. The exceptionally good performance of the Chinese economy at a time when other economies are in serious troubles may give a sufficient room for manoeuvre to the reform proponents to carry out the reforms to the point of no return. In other words, Indonesia should reckon on China as a rising competitor in international trade and in attracting foreign capital as well. A comparison of direct foreign investments entering Indonesia and China in the last two years indicate that China has gained significantly in terms of projects and investment value.

### The Next Phase

Reliable data of the Chinese trade is difficult to compile. However, various sources do suggest that it grew very fast in the last years. According to IMF statistics the annual growth rate of export to the whole world during 1978-1983 was no less than 18 per cent<sup>6</sup> while import grew by 14 per cent annually. Unfortunately, statistics on China-Indonesia trade is highly incomplete. According to Indonesia's Central Bureau of Statistics export to the PRC in 1983 amounted only to US\$14.2 million while import value was slightly higher than US\$204 million. On the contrary, China imported from Indonesia no less than US\$150 million in 1983 and exported only US\$49 million, according to IMF. As can be seen, the statistics show a significant discrepancy which, obviously, is due to indirect trade. However, two things are worthy of a note. Firstly, using the IMF figures, it can be ascertained that Indonesia's share in China's total import is small, namely 0.7 per cent in 1983. Secondly, the same import is also relatively small in terms of Indonesia's total export but should not be belittled in view of the stagnant export facing Indonesia in consecutive years since 1982.

Mention has been made of the likelihood that China's import will continue to grow following the economic reforms. However, the Chinese market is a difficult one. A variable levy is imposed on imported products which compete with domestic products with due attention to quality difference, meaning that competitive edge cannot be built upon price differentials. On the other hand, Chinese trading companies sell at world market prices irrespective of domestic prices. Subsidy is paid to export if the domestic price is higher than the world market price. In other words, cross subsidisation between import and export is

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<sup>6</sup>Fragmented information suggest that higher growth rate was attained in 1984.

a rule rather than exception. It requires much more than trade talks to build a foothold in a market like this. Bureaucratic approach is of little usefulness. Of greater importance is the existence of strong traders and trading institutions who, under prevailing political environment, would exhaust any trade opportunity rather than misquote political constraints to justify a passivity in trade. Otherwise, Indonesia will continue to rely on trading companies of other countries and occupy the lowest rank among the ASEAN countries as far as trade with the PRC is concerned.

*Djisman S. SIMANDJUNTAK*

### **Bandung Conference: 30 Years Later**

The year 1985, 30 years after the holding of the Asian-African Conference in Bandung, still presents a world marked with uncertainties, far from the aspiration of that Conference in 1955. Since the appearance of Ronald Reagan on the global political scene the build-up of military forces on either the U.S. side as well as that of the Soviet Union has escalated. The U.S. has even announced its plan of an outer space defence system based on a very sophisticated technology, more known as: Star Wars. Meanwhile, it has also been said that the Soviet Union has unobtrusively developed a similar system. Meanwhile U.S. Allies have to some extent approved of the U.S. rigid policy vis-à-vis the Soviet Union.

This situation has given the impression that at this moment there is a deep feeling of uncertainty with regard to the future: be it either the East-West relationship or the stability and security of the Third World. This caution has led people to speculate and to predict a forthcoming era of a second "cold war" in the future, which will mark the end of the détente and the multipolarity as well that will no doubt be regretted by many countries. Gorbachev's willingness to conduct a dialogue with Reagan has not been able to ease the existing concern, and has even been responded with suspicion: is it a good intent, or just a stratagem?

Among Asian-African and non-aligned countries inequalities still prevail, many countries cannot as yet adopt a government system that serves the interest of the people due to the individual or group egoism, so that very often basic human rights are violated. Boundary issues between two countries are still the main cause of armed conflicts and there are even overt violations against one's territorial integrity. The problem of racism still constitutes a



widely discussed issue in many countries. Interference in the internal affairs of a country under the pretext of humanity has frequently been committed without regard to the existing sovereignty.

The Middle East problem also discussed at the meeting 30 years ago is to date still going on, and the situation in that region has become worse on account of the never-ending and escalating Iraq-Iran War. The turmoil in Lebanon has added up to the worsening situation, whereas in the Asian region the Kampuchean problem has not shown an indication for an immediate solution, which is also the case with the Afghan War.

Aside from all that, poverty and ignorance are increasingly prevailing in African countries, Asia, the non-aligned and other developing countries. Advanced countries have in the meantime increasingly become more competitive in their economic relations, which has been particularly felt today with regard to the following 3 points, namely: trade, industrial protection, and the decline of capital inflow to developing countries.

Apparently, the gloomy situations cited above have prompted Indonesia to host the 30th anniversary celebration of the Asian-African Conference in Bandung to revitalise the ten principles as enumerated in the *Dasasila* of Bandung.

The number of delegations attending the commemoration of the 30th Anniversary of the Bandung Conference on 24-25 April 1985 will be quite a few: 82 countries, represented by high ranking officials and foreign ministers. The success in gathering those participants may become a good momentum to recall the outcome of the conference and may become a means to arouse again the spirit of cooperation among Asian-African countries. On this occasion a political declaration may be issued with the intention to affect the global political constellation, or to express the aspiration of Asian-African countries as their reaction to the present international situation.

However, one should bear in mind that international relations today has become increasingly complicated so that it has continuously generated problems that calls for answers, which will never be solved by either an appeal or by forcing a short cut. Hence continuous study is necessary to find a pragmatic and ethical solution. On the other hand, the perception of Asian-African/Non-Aligned countries with regard to their own respective interest has greatly changed. There is a trend towards the improvement of the living standard of the people in the social, economic, political and cultural fields.

An effective power -- that is, a workable power -- to realise mentioned new national interest, are more related with money and products rather than with



bombs or any other weapon, notwithstanding the fact that the production of weapons is still increasing.

In other words, the discussions in the agenda of debates, conferences, meetings, dialogues between government leaders and social leaders should put more stress on economic matters instead of warfare and power. Today the North-South dialogue has practically come to a deadlock, if not a slogan. This is in fact due to the erroneous perception of developing countries assuming that the New International Economic Order (NIEO) would be realized thanks to the benevolence of advanced countries.

To date the trade of Asian-African, Non-Aligned and developing countries are still oriented towards the advanced countries. Whereas the global economic situation is market with recession and other economic crises which have also inflicted upon the advanced countries compelling them to decrease the demand for commodities from developing countries. The recession has also weakened their capability to make investments in developing countries and to extend aid to those countries. Besides those developed countries are inclined to take protectionist measures.

Such a situation has compelled developing countries to make efforts in developing economic cooperation amongst Asian-African/Non-Aligned/developing countries to improve their economic growth rate and their peoples' welfare. Through this economic cooperation developing countries' national and collective self-reliance will thereby be stepped up accordingly in the framework of the New International Economic Order (NIEO).

In this regard, trade, industry and monetary affairs should be given first priority. Trade cooperation between Asian-African/Non-Aligned/developing countries comprised of the increase of the trade volume and as a consequence thereof it is expected that it will lessen the dependence of developing countries on the advanced countries.

The original idea of the Asian-African Conference in 1955 came about as the result of the dissatisfaction of newly independent countries with regard to the role of the United Nations, which seemed to disregard political, economic, and security matters outside those of the big powers. Although within the United Nations consultative and cooperative forums amongst representatives of newly independent Asian-African countries had been established, there were no other vehicles aside from those forums cited above.

The initiative to hold the Asian-African Conference was made by Indonesia and suggested by its former Prime Minister, Ali Sastroamidjojo in the Colombo Conference in Sri Lanka in April 1954 to establish cooperation between 5 countries, i.e. Burma, Sri Lanka, India, Indonesia and Pakistan. The

Asian-African Conference was initially aimed at expanding the scope of the cooperation amongst the 5 countries to a wider extent, that is, between the Asian-African states. Prior to that, the Asian Relations Conference was held in New Delhi in 1947 which was followed by a second one in the same place in 1949 to discuss "the Indonesian issue" at the U.N. assembly, which thereafter brought about the group known as the Colombo Group.

The Asian-African Conference, which is also known as the Bandung Conference, was held one year after the Colombo Conference. At that time, on 18-24 April 1955, delegation of 29 Asian-African countries comprising 5 sponsor countries, 12 other Asian states, 8 Arab and 4 African countries, gathered in Bandung.

Thirty years thereafter, the question on the relevance of the principles as aspired after by the Asian-African Conference may still be tested and apparently the answer will most likely be a justifiable endorsement to it. The core of the problem then is that of the environment where the changes of relationships between states occur, adding new problems that call for continuous study. The multiplications of the actors in international relations, of the problems and of the ways and means to solve the problems should stimulate us to add a new nuance, namely to stress more on the implementation of the independence obtained by establishing economic cooperation among developing countries. In this connection one should recall that in the 1955 Bandung communique many articles were referring to economic cooperation, which to date has been pushed aside by the emphasis on the political field.

Economic cooperation among developing countries, either in the trade, industrial or monetary fields, will run smoothly if each developing country reciprocally knows the economic situation of the other countries respectively. In other words the cooperation may run smoothly if there is an efficient and smooth flow of information exchange. Through this information exchange, developing countries may be able to adopt coordinated trade and industrial policies and to establish cooperation in an effort to overcome emerging problems. A cooperation in the fields of economy and technology among developing countries today will materialise the spirit of the Asian-African Conference to step up national and collective self-reliance.

*SOEDARSO*

# **Second Indonesia-Vietnam Seminar**

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Jakarta  
18-20 Februari 1985

Sponsored by:  
Centre for Strategic and International Studies  
Jakarta  
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## Introduction

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*Editor's Note: This special issue of "The Indonesian Quarterly" contains papers presented at the second Indonesia-Vietnam Seminar, which was held in Jakarta on 18-20 February 1985, as a vehicle to further promote mutual understanding between Vietnam and Indonesia. As an introduction to those papers, the editor found it interesting to publish the personal observations of Mr. Abdullah Alamudi, one of the Indonesian participants in the seminar, which have been printed in "The Jakarta Post," 25th February 1985 under the title of "RI is Striving to Find Kampuchea Solution." These observations do not necessarily reflect the views of the editor of "The Indonesian Quarterly" or the CSIS.*

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Indonesia's two-prong foreign policy on Kampuchea implemented by two different agencies seems to have confused observers who are trying to understand where Jakarta really stands on the issue.

On the one hand there is the Ministry of Foreign Affairs (*Deplu*), that carries out the official policy of the government which sometimes seems to have fallen in step with Thailand's hawkish line with regard to Kampuchea. On the other, there is the Centre for Strategic and International Studies (CSIS), a private organisation with close links to the Armed Forces, that often speaks so frankly that it seems to be at odds with the government's official line.

Just a few examples: The official line supports the view of the Coalition Government of Democratic Kampuchea led by President Norodom Sihanouk that all factions of the Kampuchean people should take part in a national reconciliation programme -- including the Hanoi-backed Heng Samrin and the pro-China Khmer Rouge group.

## OFFICIAL LINE

This official line is reflected in point two of a modified proposal put forward by President Soeharto to Vietnamese Foreign Minister Nguyen Co Thach when the latter came here last year. CSIS's line was summed up by its Executive Director, Jusuf Wanandi, in a news conference at the end of an Indonesia-Vietnam seminar on international affairs: "No one in the whole world with a sound mind would accept the return of Pol Pot." Mr. Pol Pot is the Khmer Rouge leader who butchered some two million Kampucheans during his three year reign of terror in Kampuchea before Vietnamese troops ousted him from Phnom Penh in 1978.

When Indonesia joined ASEAN's call on the international community to provide Sihanouk's government with military assistance on February 11, observers asked themselves: "Why?"

Indeed, why did Indonesia, the only ASEAN country which has maintained good relations with Vietnam all this while -- and for that matter was appointed by the association as its interlocutor with Hanoi -- take a hostile stand against Vietnam? Or was it just towing the line in order to preserve ASEAN solidarity?

Whatever the answer, one thing is clear. "We are not worried," said Ambassador Pham Binh, director of Vietnam's Institute of International Relations. "We defeated France and the superpower, the United States, which had big arsenals."

He reiterated Hanoi's stand on the irreversibility of the Kampuchean situation and that Vietnam will not leave Kampuchea until Pol Pot is eliminated and Heng Samrin's government is strong enough to stand on its own feet. There is no way for ASEAN -- an economic and cultural grouping -- to provide military assistance to the Kampuchean coalition government. It's true, though, that there's nothing to stop them from providing military hardware to Sihanouk's government individually.

What the CSIS was trying to find out from the three-day seminar was Hanoi's logic on solving the Kampuchean problem. It tried to sound out what



diplomats could not say across a conference table but can be discussed frankly and openly by scholars, intellectuals or businessmen.

The Indonesian participants were a mixture of the three groups plus members of parliament, government officials, Armed Forces officers, and journalists who all attended in their private capacities. Their 15-man strong Vietnamese delegation consisted of among others, ambassadors, career diplomats, retired army generals, party officials, and an army lieutenant colonel turned editor of *Nhan Dan* daily.

Indonesia, the most prominent member of ASEAN is trying to find a solution to the Kampuchean problem and while at the same time preserving the unity and solidarity of the organisation. Jakarta values ASEAN unity and solidarity very highly and therefore will go all along to maintain them.

Indonesia wants to help Thailand out of the Kampuchean problem, which has lost a buffer zone with Vietnam since the fall of Phnom Penh to Hanoi's troops in 1979. But to enable Jakarta to do that, it needs some kind of positive signals from Hanoi.

## GOOD OFFICES

Thus, throughout the three-day Indonesia-Vietnam seminar, the most vocal questions put forward by the Indonesian side were: What good offices could Hanoi offer to enable Jakarta to go to Bangkok and tell the Thais "here is Hanoi's offer; we think it's reasonable, now we want a positive response from your side."

Discussions through the seminar were "frank," "forth-right," and "open," said retired army general Soedjono Hoemardani, honorary chairman of CSIS, at the close of the seminar. And with all their frankness, the Vietnamese told the seminar: "In five to ten years from now, the so-called Kampuchean problem will by itself be solved without the need for any solution." In other words, the Vietnamese were saying they are *de facto* in Kampuchea, the world can do nothing and time is on their side. Any solution to the Kampuchean problem now must be on their terms.

## SOLUTION

The Vietnamese suggested a five-point solution to the Kampuchean problem, which is based on a January 18, statement by the three Indochinese foreign ministers. These are:

1. Vietnamese troops will withdraw from Kampuchea after the elimination of

the Pol Pot clique, militarily and politically. "Militarily" means the elimination of Pol Pot, Khieu Samphan and the Khmer Rouge's hard core. "Politically" means the Khmer Rouge must not take part in a general election in Kampuchea.

2. Once the Pol Pot clique is eliminated, the Kampuchean people can hold a free general election in the presence of foreign observers to decide their own fate. The modalities of such elections is an internal matter for the Kampucheans to decide for themselves.
3. Southeast Asia should be converted into a zone of peace and stability and an area of peaceful coexistence among the countries with different social systems. Vietnam says: Thai soil is now being used as a base of operations by the Kampuchean guerrillas against the Hanoi-backed government of Heng Samrin and for subversion against Laos and Vietnam. Hanoi also accused the United States of colluding with China to subvert Vietnam.
4. Respect by states outside the region of the national rights of Southeast Asian countries.
5. The establishment of an international guarantee and supervision of agreements reached.

Vietnam wants to see the establishment of a Geneva-1954 type conference to supervise and control the border areas between Thailand, Kampuchea and Laos.

Indonesian foreign affairs observers here pointed out, however, that if such a body is set up, history in Indochina will merely repeat itself. The International Conference for the Supervision and Control (ICSC) of the border between North and South Vietnam failed to carry out its tasks partly because of failure on Vietnam's side to open itself for inspection and control. The closed society system in North Vietnam made it impossible for the ICSC to carry out its tasks, leaving the open society, western style democracy in South Vietnam the targets of international criticism, despite the fact that thousands of Vietnamese refugees fled to the South, to France, or the United States.

A Geneva-1945 type international guarantee and supervision which Vietnam suggested -- would, if accepted -- leave Thailand, as an open society with a western style democracy, the target of world criticism. Kampuchea and Laos will close their doors to the commission's scrutinies.

## TRADE

On Indonesia-Vietnam bilateral relations, the seminar focused on the negligible trade between the two countries. An Indonesian participant pointed



out that despite the good diplomatic relations between Hanoi and Jakarta, the two governments have not signed any trade agreement.

Indonesia will now have to learn from Singapore's experience, which despite its vocal criticism of Vietnam on the Kampuchean problem, is in fact Hanoi's biggest trading partner among the six ASEAN countries. Singapore's exports to Vietnam in 1983 totalled US\$45 million compared to US\$35 million in the previous year. Singapore's imports from Vietnam increased to US\$33 million in 1983 from US\$21 million the year earlier.

Thailand and Vietnam also trade with each other despite the fact that their soldiers trade fire across the Kampuchean border. Meanwhile, Indonesia's trade with Vietnam is conducted on an incidental basis. There were no exports from Indonesia to Vietnam in 1981 and 1982. It exported 10,000 tons of coal worth US\$360,000 in 1983. Its imports from Vietnam has increased from US\$1.75 million in 1981 to US\$4.39 million in 1982 and dropped again to US\$1.79 the following year.

Faced with these facts, the seminar decided to set up two workshops to study ways and means to promote trade relations between the two countries. One workshop will study the potentials and constraints in the relations between the two countries and it will make suggestions on how to solve the problems. The second workshop consisting of businessmen and government officials will help find ways and means to open up and establish trade relations.

It is expected that the two workshops will be operational in about three months time.

With the current world oil glut, Indonesia will just have to find more markets for its non-oil exports even if it means providing two years credit to Hanoi. Thus, the two-prong foreign policy on Kampuchea now being carried out, cannot be called a purely diplomatic exercise to solve the Kampuchean issue. Indonesia's economic interests must go side-by-side.

## Opening Remarks

Soedjono HOEMARDANI

History has destined the two nations to meet, Vietnam and Indonesia, both now free, independent and sovereign, as the fruit of our respective national struggles. History has also destined us to meet today, the Vietnamese and Indonesian delegates to this conference. Now history seems also to require us to promote our mutual understanding for the fosterance of cooperation, for it is a historical task that we have to take upon both of us together, as sovereign and independent nations, to take part in the promotion of welfare for the world.

Indonesia's revolutionary struggle has indeed led the Indonesian people to national independence and the establishment of a nation state on the basis of a national ideology and a national constitution. It has also made the Indonesian people aware of their position as a nation in equality with all the sovereign and independent nations of the world.

As a struggling nation, however, we are also fully aware that we form part of the larger family of mankind. Therefore our Constitution provides that we the Indonesian nation shall also contribute in implementing an order in the world which is based upon independence, abiding peace and social justice.

It is in order to carry out that constitutional message that Indonesia pursues an independent and active foreign policy. The Indonesian nation strongly emphasizes the view that mankind constitutes a large family. Accordingly, the promotion of welfare for mankind is to be sought through

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peaceful means so as to realize together not only material but also spiritual welfare.

Indeed, sometimes armed conflicts cannot be avoided. But we are convinced that war cannot serve as an instrument by which to promote material and spiritual welfare. We all have bitter experiences of war.

At present we are still haunted by endless tensions in the world, particularly the tension between the superpowers, both engaged in continuous arms race, with all its adverse effects on, and implications for, the rest of the world. The tension between the superpowers is one of the main sources of upheavals in many parts of the world, which prevent the creation of favourable conditions conducive to the national developments of many countries.

As struggling nations, let us face such a situation of the world together with determination to build peace and create welfare in the bilateral, regional, as well as global frameworks. Vietnam and Indonesia share the same aspiration for the realization of a prosperous national life as part of the wellbeing of the world at large, an aspiration certainly shared also by all nations, for no civilized nation would wish for suffering or destruction.

It is in performing such a historical task in order to create a peaceful and prosperous order of the world that we are holding the present conference, during which we shall exchange views on common problems, be they bilateral, regional, or global in nature. But of greater importance, we should share the view that war is not a means for the promotion of peace and prosperity.

If what we seek is peace and prosperity, then we shall seek to find ways that do lead to peace and prosperity. Such a common view will help strengthen the friendship between Vietnam and Indonesia. It will generate hope for the peace and prosperity not only of the region of Southeast Asia but also of the whole world. For peace in Southeast Asia, and indeed in the Asia-Pacific region, will constitute a buffer against superpower conflicts, whereas the absence of peace in the region will open the way to such conflicts.

Motivated by a common spirit of struggle, and inspired by the heritage of Asian culture, I feel confident that together we will both be able to carry out our historical task successfully. It is in such a spirit and with such an orientation that I hope our present conference will proceed. Frank, open, direct, and straight-forward discussions are appropriate means of building communication, improving mutual understanding, fostering cooperation and making constructive commitments. They are not for the creation of conflicts.

**PHAM Binh**

In early 1984 General Moerdani's visit to Vietnam and the Vietnam-Indonesia seminar in Hanoi marked an important development in the relations between both our countries. On the strength of the mutual understanding that emerged from the previous seminar, our second seminar now takes place at the beginning of 1985 at a point when the struggle for peace, independence and development of nations in Southeast Asia and the whole of Asia is going through auspicious developments. Given these factors, this second seminar rises to a height from which we are afforded a broader, vaster vision of problems before us that demand to be properly addressed not only for the sake of the fundamental long-term interests of both countries but also for the sake of an active contribution to the safeguarding of peace and stability in Southeast Asia and the defense of peace in Asia.

In this spirit the scholars in our delegation come to this seminar with the clear awareness of exchanging views with their Indonesian colleagues so as to find out correct solutions that will enhance solidarity among all Southeast Asian states for the sake of their respective prosperity and in order to cope effectively with present and future challenges.

On this occasion we wish to express our gratitude to the Indonesian government and to General Moerdani for having created favourable conditions so that we have been able to send to the seminar a delegation comprising many Vietnamese scholars whose name and activities are widely known to the public in Vietnam and abroad.

In the wake of our seminar relations between our two countries are being strengthened. This reflects the consistent and farsighted policy of President Soeharto and the Indonesian government and it is a source of encouragement for our scholars in striving to devote themselves further to the noble cause of both our nations.

Our first seminar, even though it had taken place under difficult circumstances, was crowned with success and success born amidst hardship is always most precious. This year, conditions are more favourable but the problems and responsibilities facing us are greater. We feel confident however that our seminar will yield even finer results, marking a new success in the relations of friendship, solidarity and cooperation between Vietnam and Indonesia in contribution to peace, stability and development.

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Pham Binh is Director of the Vietnam Institute of International Relations.



# The Situation in Asia and Southeast Asian Countries

THANH Tin

## 1.

The Asia-Pacific region has particularly attracted the ever greater attention of researchers and strategists of various countries.

The most important characteristic of the Asia-Pacific region in the past forty years, since the Second World War, has been its constant mobility and it has seen the most profound changes, especially in Asia. Although Europe has been the hotbeds of two world wars and is now the largest arsenal on earth, with two largest military blocs opposing each other, it has been, for the past forty years, the only region where limited wars have not taken place. It is here that countries with differing socio-political systems and serious contradictions held the Helsinki Conference in 1975 and agreed on a framework for preventing differences from reaching an uncontrollable explosive level. Many issues have been resolved through international legal acts, e.g. the borders between European states as results of the Second World War. In spite of fierce struggles in the fields of politics and ideology, Europe still provides a model, in the eyes of researchers on international relations, for peaceful coexistence between countries with differing political and social systems.

On the contrary, for the past forty years, the Asia-Pacific region has been the only one in the world where three largest, longest and bloodiest limited wars took place, namely the Korean War and the two Indochina Wars. In addition to those there were wars waged by China against India in 1959 and 1962 which resulted in China still holding more than 30,000 square kilometres of Indian territory, the border war launched by China against the Soviet Union in 1969 and used as a pretext by China to justify its shifting international

alliance and its internal factional struggle, and the war of aggression launched by 600,000 Chinese troops against Vietnam in February 1979.

All those wars, though different in scale and with different belligerent parties, took place along clearly dividing lines.

In essence, it has been the struggle for peace, national independence and development of Asian countries against the imperialist, colonialist, expansionist, and hegemonist forces that want to drag them back to their former position of slavery or to use them as tools for their foreign policies.

One may say that during this fierce struggle, the Asian nations have gone through terrible disasters and have been turned into the first testing grounds for such mass destruction weapons as the atomic bomb, bacteriological weapons and the noxious orange agent. In particular Peking's expansionism and hegemonism cannot shirk its historical responsibility in fostering the Pol Pot clique and instigating them to commit the greatest crime of genocide in Kampuchean history and in human history as well.

In this struggle, Vietnam, Laos and Kampuchea have been devastated by war more heavily than any other country or region in the world for the past forty years, with an amount of bombs and ammunition several times as large as that used during the Second World War. As the main victims of aggression by the United States, China, Great Britain and France, four of the five permanent members of the United Nations Security Council and also victims of the collusion between the two biggest imperialist and reactionary forces of our time, the people of the three countries have displayed their determination to fight for independence and freedom and have demonstrated the really great strength of their just cause. Through the past forty years, continual, protracted and brutal wars, as well as lengthy economic blockades, political ostracism and subversion from within have proved unsuccessful in subjugating the three Indochinese peoples. History and their enemies have brought them together in their invincible struggle for the independence and freedom of their respective countries.

During the past six years, the international situation has become ever more complicated. The arms race and the cold war started by the Carter Administration in 1978 have been pushed to their apogees. Medium-range missiles have been deployed in Europe, and the arms race has extended to outer space.

U.S.-Soviet relations have dropped to an all-time low. U.S.-Chinese collusion has continued and the military alliance between the U.S., Japan and South Korea has been stepped up.

Such a situation has brought humanity to the brink of a nuclear war capable of destroying our planet, creating an extremely tense situation in the world. The danger of war is greater than ever before.



Meanwhile developments have shown that the chances for safeguarding peace are greater than ever before.

The fact is that after four years of intensified arms race with the largest military budget in peace time, the United States has not been able to regain military superiority. The economic and technological embargo, as well as that on cereals against the Soviet Union, had to be lifted. After U.S.-Soviet relations dropped to the lowest level in four years, U.S.-Soviet negotiations were resumed in early January 1985.

For the past six years, the situation in Asia, and particularly in Southeast Asia, has been extremely tense because since the U.S. withdrawal from the Southeast Asian mainland, China has come to replace it and assumed the role of a dispenser of peace and stability in Southeast Asia -- the traditional area of Chinese expansion.

In February 1979, the Chinese staged a large-scale aggression against Vietnam with 600,000 troops and since have repeatedly threatened to "teach Vietnam another lesson." They have not given up the intention of using Maoist groups to foment disorder and subversion in Southeast Asia.

It follows that the cause of this tense situation is the collusion between the biggest imperialist powers, with the Peking expansionists and hegemonists, the most reactionary force in our time, against peace and independence of Southeast Asian nations. China is seeking every means to pit ASEAN against Indochinese countries so as to fish in troubled waters.

While they continue to step up the multi-faceted war of sabotage against Vietnam and the other Indochinese countries, as demonstrated in the recent spy case in Ho Chi Minh city, the Chinese also pursue a policy of economic blockade and political ostracism against Vietnam in the international arena. With such a hostile policy, they hope to bleed Vietnam white, to cause it to exhaust itself and collapse so that they can eventually subdue and annex Vietnam, and use Vietnam and Indochina as tools to serve their expansionist and hegemonist policy.

But the strength of the solidarity of three Indochinese countries has proved invincible and the struggle for peace and independence of Southeast Asian countries is continuing. In Kampuchea, Pol Pot's Khmer Rouge clique was overthrown, which meant the removal of China's effective tool for expansion and sabotage at the heart of the region. The rebirth of Kampuchea has been miraculous, as eyewitnessed and admitted by international observers. Laos has successfully repelled and foiled all schemes of sabotage by Peking and by reactionary elements in the Thai ruling circles. Vietnam has not collapsed.

Vietnam has stood firm and though still facing difficulties, it has survived the most difficult period and is advancing steadily forward. The tendency to eliminate the Pol Pot and Khmer Rouge clique -- the main tool used by Peking against Kampuchea and Indochina as a whole, the gang of criminals directly responsible for the death of millions of Kampucheans, and for the consequences of genocide that still lingers till this day -- is growing day by day. Removing the Pol Pot gang of criminals has become an urgent and widespread demand by world opinion, including governments in Western and Northern Europe. Many ASEAN and Western countries are moving away from China's hostile policy vis-à-vis Vietnam and Indochina.

Developments in the past forty years, and especially in the past six years, have shown that the most profound changes have occurred in the Asian regions.

As a Southeast Asian country that ranks fifth in the world in terms of population, Indonesia has, since gaining back independence, constantly promoted solidarity among countries in struggle for independence, peace and development. The famous Bandung spirit marked a step forward in solidarity among Asian and African countries striving for those noble objectives.

A large country in Asia, India, being itself a subcontinent with 700 million people, is another nation committed to solidarity among peoples struggling for their own independence, development and prosperity and for peace in Asia and the world.

In Asia the three Indochinese countries have made the greatest sacrifices in their undaunted struggle to regain and safeguard their independence, to create every favourable condition for national construction and make active contribution to the defence of peace in Asia and the world.

The Indochinese countries, Indonesia and India have all been victims of Chinese expansionism and hegemonism. None of us can forget the war provoked by China to seize Indian territory in 1959 and 1962, the bloody coup in Indonesia in 1965, the genocide instigated by China in Kampuchea and the aggression against Vietnam in February 1979 with the participation of 600,000 troops. And it still continues to sabotage peace and independence in Asia.

With the solidarity among Asian countries, especially among the three Indochinese nations, Indonesia and India, we can certainly prevent disorders fomented by Peking's expansionism and hegemonism, preserve durable peace in Southeast Asia and create conditions for the consolidation of independence, the promotion of national development and prosperity in Southeast Asian countries.



## 11.

The history of the past forty years in Asia has shown that no war has taken place between the big powers, but only wars against the independence of smaller countries, and regional conflicts. China has entered into collusion with the United States and Japan in order to serve its strategy, while the United States and the Soviet Union have maintained the dialogue even at moments of greatest tension and more recently Soviet-Chinese relations have moved toward normalizations.

The present Chinese rulers, just like former feudal dynasties, are still pursuing a policy of big-nation chauvinism, territorial expansion and unrestrained extension of China's influence, especially toward Southeast Asia and South Asia. What has become clear is that Chinese expansionism and hegemonism is the main danger to the security and development of Southeast Asian countries. By the end of this century, this danger will be still greater when China partially or wholly fulfils its "four modernizations" programme, when it has strengthened its military might with the assistance of the United States, Japan and other Western countries, when it may have retrieved Hong Kong or Taiwan through the formula "one country, two systems." Then our Southeast Asia will find itself under the constant and direct threat of "four Chinas," instead of one, which practise big-nation expansionism and hegemonism. Thus, if the United States continues to "play the China card" and steps up its assistance to China militarily to oppose the Soviet Union, it will not be the Soviet Union but Southeast Asian countries, including U.S. friends, that will be the first to bear the consequences.

If the U.S. ruling circles regards NATO as the pillar in Europe, it considers the U.S.-Japan alliance to be the pillar in Asia. It has encouraged the militarist tendency in Japan, used Japan as a restraining factor against the Soviet Union in Asia, and Japan has shown its eagerness in this role. Now the Japanese defence forces have grown up rapidly, have surpassed the Japanese imperial army during Second World War in fire power, and have ranked tenth among the strongest armies of the developed capitalist countries. It is not an accident that recently Japan has stirred up national sentiments, restored the 1894-1896 Eagle Order, revised textbooks and started a campaign for revising the constitution. It is not accidental either that Japanese leaders have left the door open for an increase in military budget and regard Japan as an unsinkable aircraft-carrier for the Americans. Thus the deep concern among Southeast Asian countries and in Asia as a whole about a Japanese danger is not without reason, for all that recalls, the past the days when the Japanese militarist occupied Vietnam, Indonesia and other Southeast Asian countries about forty years ago, under the Greater East Asia policy.

The abovementioned developments have confronted peace, security and development of Asian countries, especially Southeast Asian countries, with new challenges.

However the present situation is developing in favour of peace and national independence in Asia. For the past forty years, the Asian region has been most eventful, and it also has been the scene of most positive and deep changes. One cannot deny the fact that these changes have been brought about by the local forces and the policy of violence by the reactionary forces from outside has been defeated. The growing strength of the independence and peace forces in Southeast Asia demonstrates that the Asian peoples are fully capable of being masters in deciding their own destinies, and in any forthcoming changes, they will be the decisive force.

We researchers on strategic affairs cannot overlook new motions on the international scene. The trend to dialogue and settlement of disputes and differences through negotiation is developing in relations between countries that were or are still opposed to each other, in all regions of the world. Dialogue and negotiation is not only a developing trend, it also proves to be an inevitable trend in international relations, favourable to peace, security and development of all countries.

Although there exist differences between countries in Southeast Asia, they are definitely less important than the common interests in opposing common dangers from the same hostile forces. Between countries in the region there can be and definitely should be peaceful coexistence, with further sincere and frank dialogue, ever broader cooperation in various fields, and this certainly serves the fundamental interests of each of our countries, the interests of peace, stability and development in the region and makes an important contribution to the creation of a healthy atmosphere in the international arena.

### III.

While Asia has been the scene of numerous changes, it also contains stable and unchanged factors.

For the past forty years, Vietnam, Indonesia, India and other countries have been persistently struggling for peace, independence and development, thereby making this trend ever more steady and an important factor that determines the development of the regional situation.

Nevertheless, the developed Western countries have continued their policy of exploiting, controlling and restraining the economically less developed countries and have aroused deep dissatisfaction among these countries.



China still pursues its expansionist and hegemonist policy toward its neighbours and still seeks to weaken and divide the Indochinese countries, uses Maoist groups to interfere in and subvert Southeast Asian countries, promotes confrontation between the two groups of Indochinese and ASEAN countries, thus causing constant instability in Southeast Asia.

New rallying of forces is taking place in this region along quite contrary directions. In the past ten years, since 1945, the U.S. ruling circles have effected a new rallying of forces, leaving China alone in its manipulating of peace and stability in this region, causing further tension in Asia, especially in Southeast Asia. We think that this policy of the U.S. erroneous and dangerous, as it runs counter to the interests of countries in the region, while going against America's own interests and those of its friends. Meanwhile, China is effecting its rallying of forces and pitting one group of Southeast Asian countries against another in the interest of its hegemonist and expansionist policy.

Along with that there has emerged another powerful and broad rallying of forces of those who are determined to struggle for peace, national independence and development in their countries. This is a correct rallying of forces which conforms to the evolution of our time, which contributes positively to the safeguarding of peace in Southeast Asia.

In this rallying of forces and fierce struggle, those forces which go with the developing trends will be the final victors.

We have come to attend this seminar in order to contribute to the strengthening of understanding between our two peoples, promoting relations between our two countries and seeking understanding and better relations with all other ASEAN countries, hence to make joint efforts to find out a framework for relations not only between Southeast Asian nations but also for the whole of Asia, so as to prevent uncontrollable explosive situations, which have caused innumerable disasters to Asian peoples for the past forty years.

Beside our Southeast Asian nations, those countries outside the region which have interests here should assume their responsibility in contributing to the preserving of peace and stability in Southeast Asia.

We understood this was the spirit of what was mentioned in the Communique of the recent 10th Conference of Foreign Ministers of the three Indochinese countries in January 1985, which reads in part: "The United States should assume a responsible role in contributing to longterm peace and stability in Southeast Asia."

# **Global Political Trends: An Overview**

Juwono SUDARSONO

It is appropriate that the Second Indonesia-Vietnam Seminar is held at this particularly auspicious year. Nineteen eighty five is the fortieth anniversary of many historic occasions: the February, 1945, Yalta Meeting which foreshadowed the post-World War II international political and economic order; the May, 1945, Victory in Europe celebrations; and the end of the Pacific War in August 1945. This year of course celebrates the fortieth anniversary of our respective proclamation of independence.

The course of the Indonesian and Vietnamese revolutions are both products of and responses to the shifts in power balance at the global and regional levels immediately after cessation of hostilities. For almost four years the Indonesian revolution charted its course and inspired the pattern and style of Indonesian political, economic as well as security perceptions. The revolution of the Vietnamese people took much longer to consummate. Even after 1975, with the end of the United States involvement in Indochina, Vietnam's real revolution -- the revolution to come to terms with its internal as well as regional security perceptions -- seemed only to begin. It would be interesting to see, therefore, how much we differ in interpreting the course of global political trends and how these perceptions affect interpretations about our respective policy priorities in politics, economics and security.

I shall begin by providing an overview essentially from the superpower rivalry context, proceed toward its implications on various regions of the

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Views expressed in this paper are of the author's and do not reflect official policy or endorsement of the University of Indonesia. Dr. Juwono Sudarsono is a lecturer at the Faculty of Social Sciences, University of Indonesia.



world, and finally attempt to draw a framework of how these trends portend for our region.

## THE SUPERPOWER CONTEXT

Current trends in improvement of strategic relations between the United States and the Soviet Union should not obscure our view that in essence the superpower competition continues at a different pace and that whatever agreements they achieve in nuclear arms control may not have an immediate bearing on their behaviour in the non-nuclear field of competition.

President Reagan's re-election victory and his subsequent statements on relations with the Soviet Union is an improvement on his dive beliefs about the Soviet State made three or four years ago. But it must be clearly stated from the very beginning that despite the improvement in the rhetoric, the essential *world-view* of the second Reagan Administration differs little from the first one. Insofar as world-views affect policy, it is important to understand the inner workings of the Reagan Administration's perception of world order.

On the one hand, the second Reagan Administration follows on in full force its fascination with power and strength. From a domestic politics point of view, foreign policy is a struggle in which military force dominates as an essential ingredient of diplomatic projection. After the traumatic years of defeat in Vietnam and humiliation in Iran, the American political public yearned for a simplistic solution wherein America as a nation is reckoned again as a force to be counted. Honor through strength seems to be the major credo in this particular strain of American policy of the past four years. The most notable aspect of this thrust is the Reagan Administration's determination to go ahead with research on space-based defense systems, the Strategic Defense Initiative.

The commitment to project American strength has been featured by the fact that the upcoming round of negotiations between the superpowers in March of this year comprise negotiations relating to nuclear weapons and defense systems bearing on the strategic relationship between the two superpowers. This new "thrice-in-one" package of negotiations has relegated the forum of negotiations on conventional forces (the Mutual Balanced Force Reductions talks) outside of the mainstream of focus.

One may surmise that the thrust to regain American strength and credibility is a reflection of the American political public's inability to learn from the lessons of Vietnam 1975 and Iran 1979. There are those who thought that

these two events were clear signs of America's irreversible retreat which was preceded by the decline of American military preponderance since 1945, the emergence of new economic powercenters in Europe and Japan and the rise in prominence of the Organization of Petroleum Exporting Countries.

Another factor is the perception of America's defeats in Vietnam and, Iran followed its decline of influence in Turkey and Pakistan. The United States was seen as unable to use its power to prevent outcomes it was unwilling to let pass. This was largely a failure of the United States not in the use of its military might, but in its inability to apply political analysis and skill to anticipate events, to seize opportunities and to align itself with forces destined to prevail.

On the other hand, the view from Moscow may not necessarily be rosier. As in the United States, the Soviet Union has its share of ideologies and strategists whose world-view is formed by a series of images shaped by their past and immediate experiences. The current drive for development in the People's Republic of China, the improved relations between Japan and the Chinese leadership in Beijing, the American dominated peace initiatives in the Middle East and the current impasse in Central and South America -- all of these events have been seen as setbacks for Soviet power and credibility. More importantly, the stalemate over the question of Poland, Afghanistan and the border with China has added to the burden of Soviet policy formulation.

But most important of all, leadership succession in Moscow has occurred twice in less than three years, a point which is not lost on those whose task is to ensure that commitments made at the conference table should and will be followed through because of the backing of a strong and coherent leadership.

On balance, one might generalise that as the main status quo power in a world of rapid change, the United States had been on a kind of universal defensive while the Soviet Union has been on the offensive, able to choose and pick its points of attack. Now the situation is somewhat reversed, with the United States being fundamentally assertive and the Soviet Union more or less defensive in trying to maintain its power and influence in many conflicts affecting regions of the world.

## SUPERPOWER CONFLICTS AND REGIONAL BALANCE

The above summary of current Soviet-American rivalry suggests that it may be useful to outline some of the fundamental assumptions about the nature of the relationships as well as their bearing on regional balance.



The first is that Soviet-American policy is global politics at its most profound. The strategic concept of parity has proliferated into areas well beyond its initial meaning of purely military dimension. This means that for better or worse, all major points of superpower competition and rivalry have become foci of East-West competition. We are witnessing this process very clearly in Central America and in Afghanistan, where superpower support to local forces test the will and power of its rival's political commitment and material support.

The nature of the current competition has been conducted in a climate reminiscent of the peak years of the Cold War with its concomitant dangers: a disturbing period of tense confrontation between the superpowers; and apparent escalation of the arms race conducted on behalf of national pride and power. Worst of all, it has resulted in the myopic effect of putting all the blame of a particular regional problem solely to the meddling behaviour of the other superpower. On the one hand, we have a situation in Central America where the United States places blame on the Soviet Union for fomenting unrest and revolution in its region of influence. On the other hand, we have witnessed in Poland and in Afghanistan, Soviet preponderance to blame it all on the interference of the imperialist powers. In neither case is the real and undercurrent problems viewed in the same degree of importance as the Soviet-American spectrum.

Finally, much as Soviet-American rivalry is unavoidable, it must be plain to all who have some basic understanding of Soviet and American foreign policy that they both possess conflicting views of international relations. The United States has strong notions of stability (or, at most, of orderly change) which are anathemic to the Soviet Union. Some observers have indicated that it is misleading to look for alternatives between cooperation and competition, between rivalry and friendship. Rather the notion which we must both hold on to is that both Soviet and American views, whatever their rhetoric, centers on the problems of defining their different *modes of competition*.

Despite their mutual commitment to continuing competition in virtually all fields of international relations, both superpowers stand to gain from mutual self-restraint. The United States in Latin America is a superpower concerned with preservation of the *status quo* and views unkindly any effort by local powers (Cuba and Nicaragua) to export their brand of revolution to the neighboring Latin America states. But their containment of Soviet and Cuban support to the Sandinista government suggest that they seem perfectly satisfied to contain the Sandinista revolution within the confines of the Nicaraguan border, since a more aggressive policy might unnecessarily provoke further Soviet interventionism.

On the other hand, the Soviet Union likewise is unhappy to be confronted with sudden crises situation in regions where the choices may be none other than humiliating defeat or playing with fire. This partially explains its restraint in Iran after American retreat from that country. It is also their underlying concern with the border in China which explain much for Soviet moderation in recent relationship with the leadership in China.

Both superpowers have also learnt their lesson of being manipulated by their elients and allies. The United States learnt this lesson from their experience with the then South Vietnamese government in Saigon; the Soviet Union has still to learn from their current impasse in Afghanistan. What both have also learnt is that moderation in regional balance often pays in the long run. For too often clients have their own free will, and the efforts of superpowers to engineer a political solution tailored to their own demands have largely failed. The ease of American inability to establish a political solution in Lebanon and the diffieulty the Soviet Union faces in maintaining its relations with several African nations are eases in point.

In the past, superpower relationships in the periphery areas were enshrined in a protoecol added to an agreement on strategic arms. The May, 1972, agreement paved the way for the era of *détente*. But problems of asymetry and differing interpretations led to successive and mutual aceusations that the other side was violating principles agreed on superpower competition in areas outside of Europe.

## THE ASIA-PACIFIC CONTEXT

In looking at superpower competition in various regions of the world, one must distinguish between areas where American and Soviet interests genuinely conflit and those where they do not. From our perspective in Indonesia, the shift in the strategic alignment between the United States and China, though an historie achievement in itself, have also become sources of new risks and predicaments. For more than fifteen years now, the United States has not really decided whether its strategic consensus with China is part of a world-wide alliance system designed to encircle the Soviet Union or whether it should pursue a delicate balancing game between China and the Soviet Union.

Three successive Ameriean administrations have opted for the former course rather than adopting a more realistic and even-handed policy of dealing with the Soviet Union and China as part of the triangular relationship of the major powers in the Asia Pacific region. In doing so, and in seeing Soviet threats in every areas of superpower competition in the same degree of in-



tensity, the United States has artificially provoked Sino-American solidarity and virtually made indistinguishable American policy from Chinese strategic interests. As far as the Asia-Pacific region is concerned, China's interests has been better served than that of the United States, as witness America's difficulties over Taiwan, Chinese aggression against Vietnam and Chinese threats of black-mail by threatening to improve relations with the Soviet Union. More significantly for us in Indonesia, Sino-American collusion in Asia and the Pacific has strained relations within the ASEAN group of nations.

Nowhere is concern over China's relations with the United States more evident than in the case of defense sales. Various agreements in the past three years, despite legal fudging over restrictions of end-use and dual-use of technology, have been justified in terms of increasing Chinese deterrence against Soviet attack. This may prove prudent in terms of Sino-American strategic cooperation, but it can also be argued that Chinese rearmament in itself can provoke Soviet intransigence over other matters.

Viewed from a historical perspective, Soviet emergence as a Pacific power is both imminent and irreversible. Alone among the ASEAN group of nations, we have recognised that the old balance of preponderance under United States and Japanese hegemony cannot be maintained through reassertions about stability as conceived in the San Francisco Treaty of September 1951.

Mathematical even-handedness about Soviet and American power projection, however, is not required. The real problem is that all nations of the Asia-Pacific region must come to terms with the new realities of the correlation of forces, whereby there is increasing awareness to *recognise* as legitimate Soviet participation of what the new framework in this region will portend.

It is in this light that we in Indonesia have always strived for more regional autonomy and self-development in Southeast Asia. We must recognise that our call for Southeast Asia as a Zone of Peace, Freedom dan Neutrality is an appeal for superpower mutual restraint and that in this particular area of competition, it is in their interest to exercise caution and prudence.

Precisely because Soviet-American rivalry is only one aspect of various regional conflicts or of an internal political turmoil, the way in which the superpower handle the conflict or reacts to the crisis must be determined largely by local circumstances. If Soviet or Cuban involvement in Nicaragua is not in the American interest, it should not by itself be turned into a major area of contest. Likewise, Chinese involvement in Indochina is not in the interest of the Soviet Union, but that in itself should not justify Soviet over-involvement in the internal affairs of the Indochina states.

Indonesia and Vietnam have common interests to pursue several common strategic choices which can alleviate some of the more intractable problems of superpower and major power intervention in our part of the world.

To this end, we hope that this seminar will provide a useful forum of exchange of the strategic choices available and feasible for us to pursue. At the superpower context, we both must continually work for a more autonomous Southeast Asia, both in the mainland and in the maritime areas of our region. This is not a call for a clear-cut mathematical model delimiting legitimate Soviet and American interests. Rather, it is an appeal for a major re-evaluation by both superpowers that their legitimate interests can best be preserved by their very restraint in using force in this area and that the costs of their military involvement, either directly or through surrogates, can only be detrimental to their ultimate standing. In ideological terms, this means that we in Southeast Asia must not pursue policies that only confirms the worst in the eyes of policymakers in Moscow and Washington.

We should be clear that when there is a consensus about the nature of major power involvement in our region, one occasional failure (such as the politically controversial question over Kampuchea) can be overcome in the long-run. Our tasks as regional states, therefore, must be to maintain a consensus of mixed relationships that can sustain temporary crises and on our ability to maintain patience in managing such complex relationships.

Of course the definition of our mutual security interests in our part of the region is a political, not a scientific, decision. We must be able to persuade all powers concerned with Southeast Asia that not all positions or policies in our part of the world is defensible or even worth defending against every kind of threat, more especially if that threat is defined by an extra-regional power.

For our part, we in Indonesia have undergone a painful but altogether rewarding experience in overcoming our political, economic and security perceptions through varying shifts on diplomatic and economic pressure in the past fifteen years or so. In doing so we have convinced ourselves that our commitment to our revolutionary ideals has not diminished. We at the same time hope that present and future generation of leaders in Vietnam can also successfully come to terms with the equally rewarding task of nation-building and economic development without undue compromise of its revolutionary and nationalist traditions.

Together, both our nations can move forward and shape a basic and durable parameters of political, economic and security developments in our region, free from undue involvement of the major powers and contribute to maintain a more sustainable political system at the global level.



# Economic Situation in the World and in the Asia-Pacific Region

VO Dai Luoc

Since the 1970s the world economic situation, particularly in the Asia-Pacific region, has undergone remarkable changes. These have made a strong impact on the economic and political conditions and on the security of all the countries in the world. Each of our countries should seriously examine these changes in order to work out its own development strategy in general and its economic strategy in particular. In this perspective we wish to present in our paper some broad features of the economic situation in the world and in the Asia-Pacific region.

In assessing the world economic situation within the last ten years one salient change should be mentioned namely the fact that *the world economy in general is facing difficulties of an unprecedented character since after the world economic crisis of 1929-1933*. The severity of these difficulties is manifested above all in the steady slowdown of the overall economic growth rate. Particularly noteworthy is the fact that the growth rate of the early eighties is by far too low as compared with that of the seventies.

Considering the average annual increase of the per capita world gross product, during the period 1979-1983 mankind experienced "a zero growth rate" compared with 3.1 per cent for the 1950-1973 period and 1.7 per cent for the 1973-1979 period.<sup>1</sup>

Despite the fact that since 1983 the growth rate of several countries has taken a turn upward, the forecasts of many world economy research bodies

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<sup>1</sup>*State of the World 1984* (New York/London: W.W. Norton and Company, 1984), XVII, p. 18.

## GROWTH RATE OF NATIONAL INCOME (in per cent)

	Annual Average of the 1970s	1980	1981	1982
Socialist countries	7.7	3.5	3.1	3.0
Developing countries	5.6	5.3	5.0	3.8
24 developed capitalist countries	4.5	1.2	1.2	0.5

still point to a definitely lower average annual growth rate during the 1980s compared with the seventies.

The reasons for this slackening of the growth rate are numerous but we believe the essential most comprehensive one to be *the gradual attrition of the factors of extensive development in the advanced industrial countries while the factors of intensive development have not yet made themselves strongly felt in those countries*. By the 1970s in the highly industrialized countries, the sources of raw materials and fuels which could be easily exploited at low costs had been all but used up, the traditional technologies had been disseminated far and wide, the consumer markets had been piled up with conventional commodities, .... Meanwhile, the new sources of raw materials and fuels such as atomic energy, solar energy, synthetic plastics are not yet widely used and adopted as common substitutes due to economic and technological limitations; micro-electronics, industrial robots, automation, micro-biology ... are only applied to a limited extent still because of imperfect technologies ....

The above-said situation has pushed up production costs and prices of raw materials and fuels faster than prices of finished manufactured goods. During the 1970s the price of oil increased 10 times while that of manufactured industrial goods only 2.6 times. Losses, bankruptcies and mass dismissals of workers in capitalist companies as well as a decrease of production efficiency are thus inevitable.

This difficult situation has exacerbated the global and the regional economic problems as never before. Due to such a situation also relations among states have tended to evolve in the following direction: on the one hand closer cooperation in dealing with those problems for the solution of which cooperation is indispensable; on the other more intense jockeying for a better position to find a way out of the precited predicament. Western developed countries have stepped up their mutual economic association while at the same time vying with one another, bullying one another more ruthlessly than before and



in particular they have been elbowing their way with the developing nations and exploiting them in the framework of North-South relations.

In looking for a way out of their predicament the Western developed countries have resorted to quite a number of measures that have proved catastrophic in their effects on developing nations: the policy of high interest rates has caused the debt of developing countries to swell out of proportion almost beyond the latter's solvency; the policy of low prices for raw materials and fuels has considerably indented on the export earnings of developing nations; trade protectionism has greatly hindered the export activities of these countries; the policy of cold war and confrontation has forced developing nations to increase their military expenditures thus further deteriorating their already difficult economic condition ....

The measures adopted by Western developed countries in order to shed the burden onto the shoulders of the developing countries have assumed frequently changing forms. The high bank interest rate policy could have been thought to be a home policy limited to a single country and yet it has had untold detrimental effects on other countries. The Western developed countries have been and are playing up the Soviet threat in cold war fashion and yet no direct clash has occurred between them and the Soviet Union while indeed clashes only take place in developing countries which are also plagued by various calamities .... They pit developing countries one against another while they engage in dialogue and even cooperation with their adversaries ....

The worse the world economic situation the more inclined to resort to measures pertaining to external economic relations will Western developed states be and the greater the dangers confronting developing nations. It should be added that danger does not come only from the direction of Western developed countries but also from that of China. The utterly pragmatic foreign policy pursued by China will have disastrous effects for the world.

The Asia-Pacific region assumes an increasingly important role within world economy, from the available studies and documentation on this region we may suggest the main development trends for the coming years as follows:

There are strong prospects for Asia and the Pacific to become the region with the most dynamic pace of development given the fact that in this part of the world the potentialities for extensive development are still sizable: abundant raw materials, plentiful manpower at moderate wages, huge market volumes ...; at the same time converge here the latest scientific and technological achievements of the United States, the Soviet Union and Japan .... This region also has the largest potential with regard to capital funds. More-

over, the Pacific Ocean, which connects many countries in the region is not only convenient for communication and transport but also a valuable store of raw materials.

All these potentialities however can only materialize on the primordial condition that peace and stability prevail in the region. War, either hot or cold, will only squander human and material resources in useless pursuits, thus undermining economic development. Insulation and division among nations will incapacitate them and impair their development. And Beijing's expansionist and hegemonistic policy is harmful to peace and stability in the region.

The trend towards cooperation is steadily growing while that towards confrontation persists albeit on the decline. Relations among the powers that are wont to foster confrontation now always betray both trends: confrontation and cooperation. In the midst of the worst confrontation of Western powers with the Soviet Union, East-West relations are nevertheless maintained.

Since the late 1970s, despite the cold war, the trade of developed market economies with the Soviet Union has nevertheless been increasing: 15.8 billion roubles for 1975, 31.5 billion for 1980 and 35.3 billion for 1981. Countries, hitherto hostile to each other, are now enhancing their cooperation: Sino-U.S., Sino-Japanese relations show an unprecedented growth, China views the Soviet Union as the number one enemy and yet, Sino-Soviet relations are moving towards normalization ... just to cite a few concrete instances. It should furthermore be noted that the Western countries which induce confrontation have made the developing countries into the crux of the confrontation in order to avert from themselves direct disasters.

Within the cooperation among these powers, and scientific and technological cooperation has remarkably advanced, surpassing their cooperation in other fields. For by way of such cooperation all the participating countries can derive significant benefits and meet their own requirements: the U.S. has thus found an outlet for tens of millions of tons of surplus grain from its redundant stocks and other countries also profit from it.

While the countries usually at the source of confrontation have readjusted their mutual relations, the remaining countries in the region have not yet made such an appropriate move in their own mutual relations. The trend in the ASEAN countries towards confrontation with the Indochinese states though subsiding, still prevails over that of economic, cultural ... cooperation. This state of affairs has harmed, above all, the ASEAN and the Indochinese countries while only these who fan up confrontation from behind the scenes stand to gain.



The growing penetration of the region by the big powers and the increasing threat posed by Beijing's hegemony and expansionism and by Japan. First of all, mention should be made of the ever growing Japanese influence in the region in all respects: political, military and economic. In the present difficult world economic situation, Japan is all the more impelled to intensify its penetration, of the region to secure outlets for its goods, profitable investment locations, sources of cheap labour and abundant raw materials .... While intensifying its economic penetration, Japan will have to enhance even more its political and military influence. Throughout the past 13 years, Japan's military budget has gone up by 7.5 per cent each year and is expected to rise even higher in the future. Japan represents a growing danger for the Asia-Pacific region.

China's expansionism and hegemonism however still remain the greatest danger for the countries of Southeast Asia. What does China want? To realize its expansionist and hegemonistic schemes, China has to carry out the four modernizations and therefore needs to import modern technological equipment, secure investment capital for national development promote export of its raw materials, fuels, agricultural products and light-industry goods so as to earn hard currency .... With this in mind, China naturally set about winning over above all the United States, Japan and the Western countries and conversely the remaining developing countries in the region became for China natural objects of competition and pressure. As a huge country with a market over one billion strong with its cheap labour, abundant raw materials ..., China already exerts a great attraction on the developed industrial countries. In addition, China is applying an open door strategy, enticing and dividing its adversaries .... China will try its best to smatch off for itself the sources of investment capital from and the consumer markets in the developed countries. All the remaining developing countries in the region will always be faced with the competition of an adversary many times bigger.

With an eye to the capital resources and advanced technology of the developed countries, China seeks to secure for itself a "hold" on peace and stability in Southeast Asia. That is why China has been fostering conflict and confrontation so as to enhance the value of the "Chinese card," an eloquent case in point being the so-called Kampuchea conflict.

In the present era, diversification of foreign economic relations has become a necessary law, compelling countries, hitherto hostile to each other, to entertain mutual relations as is in fact the case. The developing countries in our region cannot ignore this law.

Of the developing countries in the region, Vietnam and Indonesia play an important role:

- a. Vietnam and Indonesia have been entrusted by history an extremely important role in Southeast Asia. It is none else but our two countries that opened up a new era for this region of the world, the era of achievement of peace, freedom and national independence and cannot it be said that at present and in the time to come both countries are and will be contributing a very active role in securing and preserving peace and stability in our region.
- b. Vietnam and Indonesia are both members of the Non-Aligned Movement and cooperation between these two countries will exert great influence within and outside the region.
- c. Our two countries hold an important geographical position within the Asia-Pacific region.

Given this important role, our mutual economic cooperation should be enhanced in the interest of our two countries and of the region. In our opinion, mutual cooperation can be undertaken along the following lines:

- d. Development of economic, cultural, scientific and technological cooperation under various forms.
- e. Vietnam and Indonesia may cooperate and make a significant contribution to expanding economic and scientific and technological relations between the ASEAN and the Indochinese countries, among the countries of the region as well as relations with states outside the region.

There are two aspects to the development of cooperation between Vietnam and Indonesia which in the long run will come foremost. *First*, it is significant as an example of resistance to any kind of pressure, hegemony, expansionism ... on the part of any country whatsoever vis-à-vis the less-developed countries in the region. *Second*, it sets an example for the developing countries in the region and assures them of the possibility, regardless of the political systems, of economic integration, mutual support and assistance in exploiting their potentials and at the same time, of making use of the superiority in capital and technology of some developing countries within and outside the region.

At the same time the Indochinese and the ASEAN countries may develop their economic cooperation in the following directions:

- a. Cooperation within organizations for the protection of leading export items of the developing countries in the region.
- b. Cooperation in research and exchange of experience for a solution to the economic, and technological problems of a regional character such as ex-



exploitation of the Pacific ocean zone, tropical agriculture technologies, land clearing, building of new economic zones, development of export-oriented manufacturing branches ....

- c. Development of mutual trade relations, expansion of cooperation in such fields as transport, tourism, exploitation of natural resources, manufacturing for export ....

With the above-said directions, the Indochinese and the ASEAN countries can adopt numerous forms of cooperation: loans to be refunded in kind, subcontracting for export, joint investment in regional development projects, establishment of multiple venture corporations specialized in manufacturing and business for export. ...

Economic and cultural cooperation between the Indochinese and the ASEAN countries can in our view, be an important theme for several seminars among our countries. These seminars will serve as a premise for the development of effective cooperation in the sound direction among our countries.

# **International Economic Environment of the 1980s: Lessons from A Polymorphic Crisis**

Djisman S. SIMANDJUNTAK

When the signs of the present recovery were apparent in the last quarter of 1928 no triumphant welcome was held either in Hong Kong, Tokyo, Frankfurt, London or New York where stock traders are usually very sensitive to any changes in international economic environment. Indeed, the reactions were quiet or subdued lest the recovery may turn out to be shortlived, incapable to restore the damages which grew out of the previous recession. The need for an environment which is conducive to a sustainable growth has, therefore, been in the centre of all talks about international economic developments in recent years. Accordingly, this paper tries to inquire the nature of the present recovery as well as the threats it is facing. Both regional and function-specific approaches will be employed, because there is no such thing as a uniform development all over the globe. The necessary policy adjustments will be discussed in the last section with emphasis on developing countries which both Indonesia and Vietnam belong to.

## **THE ORIGIN OF THE RECOVERY**

Annex I of this paper displays the economic performance of the major participants in the world economy according to four basic indicators, namely monetary stability, economic growth, employment record and the balance account balance. Some developments are readable from the voluminous data or estimates included in this Annex. First, there has been an overall improvement in monetary stability, economic growth, employment and the current account balance in most countries in the last two years. Second, the economic performance is impressive in some countries, while a rather stagnant development persists in others. Third, the overall performance is expected to deteriorate in



1985 as growth tends to slacken, leaving many countries with serious problems inherited from the previous recession. Fourth, available information suggest that the economies of the socialist countries, too, are in no way immune from any shocks in the world economy.

It would mean charlatanism to claim that there is a single, simple explanation as to how those changes occur. Contemporary Marxists would say that a recovery in the "world capitalism" is nothing but a meaningless pause of the linear development toward the ultimate downfall of the capitalistic system.<sup>1</sup> Others, however, would argue that the recovery is a reflection of successful adjustments enforced during the previous recession.<sup>2</sup> Yet, this kind of explanation is insufficient, if useful lesson should be drawn for the purpose of policy formulation.

To begin with, it is necessary to recall that a set of policy changes occurred before the present recovery came into being. Embittered battles against inflation were fought in most countries, straining to the utmost the relations between governments and employers on the one hand and the labour unions on the other.<sup>3</sup> The result, however, is remarkable.

The average inflation rate in the OECD countries could be brought down to 9.3 per cent in 1981 from as high as 11.3 per cent in 1980.<sup>4</sup> It further declined to 5 per cent in 1984 and is expected to be lower than 5 per cent in 1985. At the same time, tax rates were cut. Accordingly, the real domestic demand expanded considerably. It grew by 5 per cent in 1983 and by nearly 9 per cent in 1984 in the United States which accounts for about 40 per cent of the total GNP of the OECD countries in 1982. The production reacted promptly, exhibiting in the United States an increase of 3.7 per cent in 1983 and 6.8 per cent in 1984 in terms of GNP. Following the production expansion employment situation improves especially in North America. Number of employment in the United States increased at a rapid rate, namely 0.4 per cent in 1983 and 1.5 per cent in 1984, reducing the unemployment rate of this country to 7.5 per cent in 1984 which is 2.1 per cent lower than in 1982.

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<sup>1</sup>See for example, Andre Gunder Frank, *Crisis in the World Economy* (London: Heinemann, 1980).

<sup>2</sup>Those economists who are associated in the "Mont Perelint Society" are strong believers in the healing power of the market mechanism. They reject the "historical materialism" according to which the present world capitalism has reached the stage of "monopolistic capitalism," the last stage towards the ultimate downfall.

<sup>3</sup>In pursuing monetary stability many governments in the industrialized world try to indirectly control the speed of wage increases and, thereby, violate the long established rule of bipartite negotiation between the laborer unions and employer associations.

<sup>4</sup>Unless otherwise specific, data or estimates are from *OECD Economic Outlook*, no. 36 (December 1984).

Obviously, many problems remain unsolved. While the economic growth in the USA, Japan, Canada and Australia has been remarkably high, it remains moderate in the EEC, namely 1.1 per cent in 1983 and 2.25 per cent in 1984, tempting many observers to doubt the ability of the EEC to adjust to new conditions. The economic growth, impressive how it may be, is no a panacea to unemployment problems in a world which is increasingly automatised. In fact, it is the productivity improvement on which the present recovery largely relies. No wonder that the meagre growth is incapable to prevent the unemployment situation in the EEC from worsening. From 8.9 per cent in 1982 the unemployment level in this group of countries climbed to 10.25 per cent in 1984 with no sign of immediate improvement.

Without any intention to feature a doomsday scenario, mention has to be made of other problems, perceived usually as part of the possible threats to the present recovery. Problems arising from the sky-rocketing budget deficits are important among them. Lower tax rates and slowing growth on the one hand and the rigidity in government expenditures on the other -- the defense fetishism is but one of the underlying reasons -- have led to a budget policy which is increasingly dependent on government borrowing, be it domestic or external. Given the reluctance to increase the overall tax rate while the economy is entering another slowdown, it is not clear how this dependence on an increasing borrowing can be lessened. In other words, bringing down the interest rate from its present high level which is important on various reasons, appears to be a difficult undertaking. While some observers argue that real investment has been increasingly independent of the interest rate level and movements, some countries tend not to share this opinion. They insist on the necessity of a lower interest rate as one of the requisites of investment expansion. Therefore, interest differential between major economies is not expected to level off, implying that a substantial flow of capital will continue to take place in favour of the United States where interest rate is significantly higher than in other countries such as the Federal Republic of Germany. Indeed, it is likely that this flow will exceed in future the ballooning U.S. trade deficits, meaning that the U.S. dollar may continue to appreciate. An uninterrupted appreciation of the dollar, in turn, will make it the more difficult for the U.S. produces to get through the fierce competition in internal markets. Trade frictions between the major trading countries can, then, worsen. In fact, recent experiences show that, waving more and more the basic rules of trade multilateralism, compromises between the giants themselves may be reached at the expense of the smaller trading countries.<sup>5</sup>

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<sup>5</sup>The so-called Multilateral Trade Negotiations (MTN) *under the auspices* of GATT reflect clearly the tendency among major trading countries to concentrate trade talks on issues that are of great relevance to each of them. While export subsidy in textile trade is "bad," quantitative import restrictions is "good." As to an overall assessment of GATT, see Jock A. Finlayson and



Summarising this section, three statements need to be reemphasized. *First*, the recent recovery shows that the capitalist economies are capable of adjusting to new conditions, painful how these adjustments may appear at first glance. *Second*, various problems need to be overcome to make possible the present recovery to sustain. *Third*, conflicts between the major trading countries are likely to heighten as controversies in monetary and trade policy tend to multiply rather than lessen following the geographically uneven spread of the recovery. Attempts to mitigate these conflicts on a bilateral base may prove costly to the smaller trading countries.

## A DERIVED RECOVERY IN DEVELOPING COUNTRIES

The immediate trade effects of the present recovery were heavily concentrated in the developed countries themselves. In fact, it is Japan's export which benefits mostly from the strong expansion of the U.S. domestic demand. Nevertheless, the developing countries, too, particularly the more advanced ones who are now called the NICs, have profited as well. Increased exports to the United States have turned out to be helpful to the ongoing adjustment in the highly indebted countries of Latin America, especially in Brasil and Mexico whose merchandise exports are expected to grow by 20.1 per cent and 8.9 per cent respectively in 1984.<sup>6</sup> Similarly encouraging is the rapid increase of Indonesia's non-fuel exports to the United States in the last two years.<sup>7</sup> In short, the recovery in the OECD countries has induced an improved export performance of many developing countries with its well-known spillovers on production and employment.

A glance at Annex I reveals, among other things, that the current account deficits of the developing countries as a group is diminishing, implying a declining demand for credit financing. However, there is a hint behind this overall development. The overall improvement in the current account balance is largely due to compression of imports, imposed in many cases as a must to comply to the Fund's credit conditionality. Imports of non-oil developing countries, for example, fell by no less than US\$61 billion between 1981 and 1983. Bearing in mind that imports of developing countries consist mainly of intermediate products and capital goods, an import decline of this magnitude must have had severe impact upon the growth performance. The growth

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Mark W. Zacher, "The GATT and the Regulation of Trade Barriers: Regime Dynamics and Functions," in *International Organizations*, vol. 35, no. 4 (Autumn 1981), pp. 561-602.

<sup>6</sup>See *Euromoney*, January 1985, p. 32.

<sup>7</sup>While Indonesia's total export in 1983 was US\$1.2 billion lower than in 1982, her export to the U.S. exhibited an increase as high as 20 per cent.

record in the developing countries of the western hemisphere where the current account deficits were more than halved within three years, demonstrates how a steep decline of imports can jeopardize the growth performance.

Fortunately, the situation is much more favourable in Africa, the Middle East and Asia. In fact, the developing countries of Asia have proved to be highly resilient to the severe world recession, thanks to the exceptionally good performance of the Asian NICs. Furthermore, the economic performance of this group improved very quickly following the upward trend in the United States and Japan which happen to be the major trading partners of the Asian developing economies.

Developing countries cannot afford a balance of payments adjustments which heavily rely on import curtailment. Nor is it a prudent policy to postpone debt servicing through repeated reschedulings which may turned out to be increasingly costly. At the end, there is no real substitute for earned foreign exchange, if the openness of the developing economies is to be maintained. Unfortunately, the present environment is not very supportive for an expanding export from developing countries.

International commodity markets have remained stagnant despite the relatively high growth of the real domestic demand in some developed countries. The overall market prices of primary commodities exported by developing countries have hardly moved upwards and are even expected to level off to the 1982 level in 1985. Price index of minerals, ores and metals in 1984 was 5 per cent lower than in 1982, tending to deteriorate further by two points in 1985. The reasons for this seemingly odd development are clear. The substantial price increases in the mid-seventies, the belief in an unavoidable scarcity of primary commodities, increasing costs of environmental protection and the apparent shift within the major economies towards the service industries have, together, led to a structural disequilibrium in international commodity markets. It seems unlikely that international commodity agreements, integrated how they may be, can reverse this trend, except in a very remote future which is irrelevant to our present discussion.

The prospect of manufactured exports, too, appears to be less bright. Most developing countries have proved unable to realize the crucial importance of increased export of manufactures to their economic development. Despite all the rethorics, the fact remains that investment regulations and supporting services in most developing countries are far from being favourable to an expanding export of manufactures. On the contrary, there is a widespread tendency to penalize export by offering highly distorting incentives to import competing industries. Fragmented efforts to correct this policy, usually in



form of compensating incentives to exportation, have proved, so far, ineffective.

This is not to downplay the role of the protectionism in the developed countries as an extra hurdle the developing countries have to face in international competition. It belongs to the ironies of the present world economy that an exceptionally high protection is given in the developed countries to trade items in which some developing countries have gained international competitiveness. The more advanced countries among the developing world find themselves confronted with the "graduation," meaning a most unfavourable treatment in the developed countries' markets. Must the so-called "export-led growth" be abandoned?

It is an illusion to expect that the present protectionism in the developed countries will soon disappear. The "senile-industry argument"<sup>8</sup> in the developed world is the equivalence of the "infant-industry argument" in the developing world, meaning that protectionism in the developed countries will persist as long as there is industry which is moving downwards in terms of international competitiveness. However, experiences of the so-called Asian "Gang of Four" demonstrate that the penetration of protected markets will remain feasible, provided that an adequate improvement in production and export related services can be made.

## DEVELOPMENTS IN THE SOCIALIST COUNTRIES

The inclusion of the socialist economies in any discussion of international economic developments is a must on various grounds. A significant portion of the world's income is generated and consumed within these economies. Furthermore, experiences since the introduction of Lenin's New Economic Policy show that the socialist economies, too, are in no way as rigid as some observers tend to assert. The formation of the Yugoslav's Workers' Self-Management, the Hungarian decentralized planning, the post-Gierek economic policy of Poland and the modernization throng in the People's Republic of China (PRC) are clear evidence of this reform capability. Even in the Soviet Union where the socialist imperative planning sprang up, economists are increasingly critical of the "antiquated" centralisation of decision making.

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<sup>8</sup>According to this argument, aging industries need to be protected until alternative industries can take over the role of those aging industries as source of economic growth and employment.

Academy of Sciences produced in 1983 a report on this reform controversy. The author argues that the system of the administrative management has exhausted. The economic system needs to be thoroughly decentralized by introducing market mechanisms and "automatic Regulators" to replace the plan directives.<sup>9</sup> As usual however, economists lack the political support. The Soviet government prefers instead the so-called "horizontal" reforms, aiming at an improved efficiency of the existing mechanisms as the late Andropov was trying to spur during his short premiership. This sort of discrepancy between academics and government is in no way surprising. There is always a political limitation to reform ideas irrespective of isms. What is important to be borne in mind is the fact that the ongoing reforms in the socialist economies do indicate a growing integration with the "capitalistic world economy."<sup>10</sup> This, obviously, is one of the major trends of the 1980s, if less dramatic than the discovery of the Cape of Good Hope.

Comprehensive data on recent developments within the socialist countries are difficult to obtain. Relying on fragmented data, however, the major trends can still be depicted.

To better understand the present economic situation in the Eastern European Countries, it may be useful to recall that the world was witnessing a blooming East-West Trade in the 1970s following the heyday of détente. It was a good opportunity for the governments of these countries to allot a greater portion of the Net Material Product to the consumption basket which happened to be severely oppressed for a long time as a "necessary" trade-off for a steadily increased investment.<sup>11</sup> The need for import of capital goods from the West, especially from Western Europe, seemed unsatiated. Despite a staggering increase of export to the West -- it jumped from US\$40 billion in 1975

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<sup>9</sup>Automatic regulators may consist of different tax rates, including subsidy, interest rates, selective credit policy, rates of wage increase, multiple exchange rates, and, differential pricing. All these regulators can replace the imperative plan directives. On the discussion in the Soviet Union, see Hans Herman Hoehmann, "Sowjetische Wirtschaftsreformen zwischen Markt und Macht," *Europa Archiv*, vol. 38, no. 24 (1983), pp. 757-764.

<sup>10</sup>This is not to say that socialism becomes irrelevant. System related obstacles to trade will remain there. However, the relaxation of these obstacles is apparent in almost all socialist countries. Market mechanisms are no longer perceived as an a-socialist element and so do trade, financial and technological connections with the capitalist world. No wonder that some contemporary Marxists do inclined to put into one basket the existing socialist economies together with the capitalist ones.

<sup>11</sup>In any planned economy there is a need for an ex-ante allocation of national income into investment and consumption. Such an allocation is necessarily political in nature. If some of the capital goods or intermediate goods can be procured from international markets, a greater portion of the national income will be available for consumption.



to US\$95.5 billion dollars in 1980 -- the current account deficit vis-à-vis the West was substantial. It amounted to US\$10.8 billion in 1975 and remained substantial, though decreasing, until 1980. However, from 1982 on the trade imbalance is in favour of the eastern European countries. While export to the West continue to expand, the estimated value for 1984 is US\$110 billion, import declined considerably between 1980 and 1983, resulting in a substantial current account surplus, namely US\$10 billion in each of the last two years.

Following the current account deficits of the 1970s external borrowing denominated in convertible currencies became necessary. In fact, the "West-debt" of East Europe exhibited a rapid growth in the 1970s, reaching US\$83 billion in 1980. It further increased by US\$1.4 billion in 1981, but declined by US\$8.1 billion in 1982, resulting in a total "West-debt" of about US\$76.3 billion as of end 1982.<sup>12</sup> This is far less startling than the Latin America debt. It does not mean, however, that East Europe was immune from the international debt crisis of the 1980s.

Poland declared a payment moratorium in 1981 and Romania followed some months later.<sup>13</sup> The rebirth of the East-West political tension following the invasion of Afghanistan by the Soviet Union made things the more difficult to manage. Surprisingly, the debt crisis has turned out to be manageable within a relatively short period, notwithstanding the embargo imposed by the Carter Administration. Some favourable conditions have contributed to this successful crisis management. *Firstly*, the Soviet Union has turned out to be helpful by providing bridging loans to the highly indebted members of the Comecon. Poland, alone, received US\$10 billion of these loans in the first two years of the 1980s. *Secondly*, unlike many developing countries, East Europe has proved capable to increase its export, except in 1983 when the total export to the West was US\$1 billion lower than in 1982. *Thirdly*, the creditors of East Europe, of which the Federal Republic of Germany is the biggest, continue to be generous,<sup>14</sup> reflecting their believe in the upwards trend of the East-West trade. The figures of the West-Export in the first half of the 1980s tend to confirm the appropriateness of this credit policy. *Finally*, the curtailment of import from the West has also contributed to the immediate success of East Europe to cope with its debt problems. From US\$97.7 billion in 1980 the

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<sup>12</sup>Cfr. Lawrence J. Brainard, "Handles- und Zahlungsprobleme in Osteuropa. Die Notwendigkeit neuer Politiken aufgrund der Verschuldungskrise," *Europa Archiv*, vol. 38, no. 14 (1983), p. 409. See also Klaus Schroeder, "Die Verschuldung Polens im Westen," *Europa Archiv*, vol. 37, no. 5 (1982), pp. 127-134.

<sup>13</sup>On the Polish Economic Crisis, see Michal Dobroczyński, "Die Wirtschaft Polens, Krise und Chancen," *Europa Archiv*, vol. 38, no. 11 (1983), pp. 335-344.

<sup>14</sup>See Lawrence J. Brainard, "Handles- und Zahlungsprobleme."

merchandise import of East Europe from the West declined to US\$90.5 billion in 1982, implying a substantial relief in external borrowing. Yet, an abrupt decline of import may turn out to be costly in terms of economic growth. This seems particularly true in a centrally planned economy where an immediate substitution of imported inputs is highly unlikely because factors are allocated ex-ante on company level in an imperative way. The performance of Poland, for example, was very discouraging between 1979 and 1982 with growth rates ranging from -2 per cent in 1979 to -12 per cent in 1981.<sup>15</sup> Although much more better, the growth rates in other countries were substantially below the growth rates of the seventies.

Of particular importance to our discussion is, certainly, the development in the Soviet economy. To what extent the stability of the present order in East Europe can be maintained, depends largely on the economic capabilities of the Soviet Union. If the Soviet Union is to continue to play a dominant role within this order, she is required to bear the burden which is inevitable for the preservation of the existing order.

Apparently, there is no reason to doubt the ability of the Soviet economy to support the role the Soviet Union is supposed to play within the socialist brotherhood. However, there are tendencies which indicate a narrowing room for manoeuvre. Plan realization has chronically lagged behind target for many years, not to speak of the inferior quality as a result of a race to surpass quantity target on which the "premium" of company's managers and workers depends. Grain production is chronically insufficient, meaning that the Soviet Union is to remain dependent on import which may turn out to be costly politically.<sup>16</sup> The 1978 production level was an exception that remain unattainable in subsequent years. There are also bottlenecks in the industrial sector of which labour shortage and technological inferiority are crucial. The estimated growth of industrial production was less than 3 per cent in 1981 while investment is increasingly costly due, partly, to the growing demand for a greater allotment of the national income to consumption basket. Like many other raw-material exporting countries, the Soviet Union is confronted with depressed international markets for fuel and hard minerals while exploration of new deposits is increasingly difficult and costly. The incredible arms race and military adventures outside the Soviet Union will tax the economy a considerable amount of productive resources. What is more, the relative orthodoxy in economic policy tends to frustrate rather than motivate workers.

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<sup>15</sup>See Michal Dobroczyński, "Wirtschaft Polens."

<sup>16</sup>Grain import amounted to 45 million tons in 1981/82 and 30 million tons in 1982/83. See Werner Beitel, "Das Sowjetische Interesse an Aussenwirtschaftsbeziehungen mit dem Westen," *Europa Archiv*, vol. 38, no. 8 (1983), p. 257.



While there are signs of an increased autonomy of company managers, Soviet Union is much less progressive in this respect compared to other socialist countries, not to speak of China with her modernization programmes.

Given these abrosion phenomena, the overall economic growth in the Soviet Union was, infact, stagnating at one per cent between 1979-1981.<sup>17</sup> The upward trends since 1982 as shown in the following table, does not amend the pressing need for policy adjustments, if the Soviet is to regain a sustaining growth. One can only speculate on the extent to which these adjustments are possible in the near future. Intensive changes similar to the Chinese Modernization Programmes are seemingly unlikely, partly because the immense impacts they may imply upon the individual members of the Comecon.

Table I

ESTIMATED PERCENTAGE CHANGES IN THE NET MATERIAL PRODUCT  
OF SELECTED SOCIALIST ECONOMIES

	1982	1983
The Soviet Union	4	4
Bulgaria	4.2	3.0
Czechoslovakia	0.2	2.2
German Democratic Republic	2.5	4.4
Hungary	2.3	0.3
Romania	2.6	3.4
Cuba	2.5	5
Democratic Republic of Korea	9.6	7.3
People's Republic of China	—	11.7

Source: *The Military Balance 1984-1985* (The International Institute for Strategic Studies), London, 1984.

Assuming that no major reform will take place, the following scenario is likely to arise in the Soviet international economic relations. The East-West trade will remain overshadowed by mutual distrust between the two leaders of the blocs. Stringent limitation on export of advanced technology from the West will continue to exist, notwithstanding the growing criticism of Western Europe against this politization of trade. On the other hand, the Soviet Union will maintain a cautious attitude towards a growing trade with the West lest a political pressure can be exerted through it similar to the U.S. trade embargo following the Soviet invasion of Afghanistan.

<sup>17</sup>See Hans-Herman Hocchmann, "Die Krise der Sowjetischen Wirtschaft un ihre Aussenpolitische Bedcutung," *Europa Archiv*, vol. 37, no. 14 (1982), p. 431.

The economic dependence on the Soviet Union of the smaller countries of the Comecon is becoming dearer in view of the bottlenecks the Soviet Union herself has to face. Soviet military aid, development aid and export of raw materials and intermediate products will be available only at higher prices<sup>18</sup> despite the assurance given by the Soviet Union during the Comecon meeting in 1983 to strengthen her support to the development endeavours of the less developed member countries. Should this assessment prove to be true, a closer economic cooperation between the developing countries of Comecon and the rest of the world including the market economies in the developing countries will gain in importance without necessarily endangering the economic ties with the Soviet Union. In this connection, the Hungarian experiment is certainly worthy of a systematic study.<sup>19</sup>

The economic relations between the Soviet Union and other developing countries are likely to remain of secondary importance. If the developing countries are frequently helpless in coping with the trade restrictions imposed on their exports by developed countries, they have to spend a lot of time to understand the trade regime of any centrally planned economy, let alone to comply with it. Moreover, the import palette of the Soviet Union is limited, consisting mainly of capital goods in which the developing countries are far away from being competitive vis-à-vis the developed countries such as the Federal Republic of Germany or France. As regards development assistance and the strive of developing countries for the establishment of a New International Economic Order, the Soviet position has proved as useless as that of the developed countries in the West. Indeed, it is discouraging to know, that the Soviet Union continues to hide behind her innocence as "non-colonial" country. Asserting that the present backwardness of developing countries is an historical product of colonialism and imperialism, the Soviet Union insists on the sole responsibility of the capitalist world to pay a kind of reparation to developing countries.<sup>20</sup> Unfortunately, this position can hardly contribute to economic development, which happens to be the preoccupation of most developing countries.

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<sup>18</sup>For the Third Five-Year-Development Plan (1981-1985) Vietnam is confronted with decreased financial assistance, higher price of energy import and a declined grain supply from the Soviet Union. See Oskar Weggel, "Negative Bilanz in Vietnam. Der V. Parteitag im Zeichen von Selbstkritik und Selbstbestätigung," *Europa Archiv*, vol. 37, no. 19 (1982), p. 585.

<sup>19</sup>On the Hungarian Economy, see *Hungary Economic Developments and Reforms (A World Bank Country Study)*, (Washington, D.C.: The World Bank, 1983). As to an overall assessment of reforms in various socialist economies, see Peter T. Knight, "Economic Reform in Socialist Countries. The experiences of China, Hungary, Romania and Yugoslavia," *World Bank Staff Working Papers*, no. 579 (Washington D.C.: World Bank, 1983).

<sup>20</sup>See for example the "Declaration of the 1984 Summit of the Comecon," in *Europa Archiv*, vol. 39, no. 18 (1984), pp. D520-D527.



## IMPROVING THE ENVIRONMENT

The previous sections of this paper have described in a synoptic way the international economic environment where we live today. The description is certainly far from being complete. New developments in the Asia-Pacific rim for example has not been touched upon. Yet, there are strong reasons to believe that this "region" is gaining in importance, economically, politically and militarily. An increasing portion of the world trade is taking place between countries adjacent to the Pacific. Innovation of new technology has tended to concentrate in the most advanced economies of Asia-Pacific. The most promising developing economies are in East Asia and Southeast Asia. Finally, the population-wise largest country in the World, namely the People's Republic of China, is an Asia-Pacific country whose far-reaching economic reform can result in a changing scenario of the world economy. All these developments have, in the meanwhile, have led to an intensified cooperation as manifest in the "ASEAN 6 + 5" experiment.

Incomplete how the exposition has been, it should not prevent us from drawing a lesson from what has happened in recent years. First of all, the aim is clear, namely to shape an environment in which a sustaining recovery is possible, meaning a steady improvement in all the indicators displayed in Annex I. The major constraints have been identified as well, consisting of: (1) the mounting budget deficit in major economies, particularly in the United States, with its implications on the international financial system; (2) the growing protectionism in the developed countries following the deterioration of competitiveness of specific industries; (3) the international illiquidity of heavily indebted countries; (4) the apparent ineffectiveness of the existing international institutions to play the role they are expected to do and; (5) the capsuling of the socialist countries outside China behind the international socialist brotherhood in a way that may increasingly be costly to their economies.

Relaxation of these constraints is a necessary condition for the present recovery to sustain as many economists argue. The prospect for changes, however, is not bright. Therefore, there is a tendency among some observers to advocate an inward-looking strategy of development, if not an autarky. However, this is a wrong conclusion. The economic performance of the few countries which tend to strive for an autarky is in no way better than that of the open economies. On the other hand, experiences of some countries suggest that developing countries can still benefit from the present conditions of the world economy, provided that they are willing to make the necessary adjustments or even reforms, irrespective of the declared ism which the individual countries, at least verbally, believe in.

## WORLD'S ECONOMIC PERFORMANCE MATRIX, 1981-1985

	Economic Growth <sup>1</sup>					Consumer Prices <sup>1</sup>					Unemployment Rate <sup>1</sup>					Current Account Balance <sup>2</sup>				
	1981	1982	1983	1984	1985 <sup>3</sup>	1981	1982	1983	1984	1985 <sup>3</sup>	1981	1982	1983	1984	1985 <sup>3</sup>	1981	1982	1983	1984	1985 <sup>3</sup>
<i>Total OECD</i>	1.7	-0.3	2.6	4¼	3	9.3	7.4	5.3	5	4¾	6.9	8.4	9.0	8½	8¼	-24.5	-27.5	-24.8	-70½	-86¼
USA	-2.5	-2.1	3.7	6¼	3	8.7	5.9	3.7	3¼	3½	7.6	9.7	9.6	7½	7	6.3	-9.2	-41.6	-99¾	-130¾
EEC	-0.4	0.6	1.1	2¼	2½	4.8	2.7	1.6	2¼	2¼	7.6	8.9	9.8	10¼	10¾	-11.8	-9.7	3.6	-1	9½
Japan	4.0	3.3	3.0	5¼	5	10.8	9.4	7.3	6¼	5½	2.2	2.4	2.6	2¼	2½	4.8	6.9	20.8	32¼	40
<i>Developing Countries</i>	1.2	0.2	0.8	n.a.	n.a.	27.1	26.7	35.4	n.a.	n.a.						-55.7	-94.2	-72.6	n.a.	n.a.
Oil Exporting	-4.0	-4.3	-1.1	n.a.	n.a.	13.2	8.1	11.4	n.a.	n.a.						53.4	-12.0	-16.2	2	-4
Non-oil Exporting	2.8	1.5	1.6	n.a.	n.a.	31.3	32.9	44.1	n.a.	n.a.						-109.1	-82.2	-56.4	-32	-40
Africa	1.8	1.2	0.1	n.a.	n.a.	28.2	18.3	19.5	n.a.	n.a.						-14.0	-12.5	-10.8	n.a.	n.a.
Asia	5.1	4.5	6.5	n.a.	n.a.	10.5	5.9	5.9	n.a.	n.a.						-23.2	-14.6	-10.7	n.a.	n.a.
Middle East	5.4	3.4	4.2	n.a.	n.a.	34.0	36.1	40.3	n.a.	n.a.						-11.5	-9.3	-12.0	n.a.	n.a.
Western Hemisphere	0.2	-1.6	-2.3	n.a.	n.a.	65.3	78.4	122.7	n.a.	n.a.						-45.5	-38.8	-18.5	n.a.	n.a.
Eastern Europe	—	—	—	—	—	—	—	—	—	—						-0.4	11.6	10.1	10.1	7.8

Notes: <sup>1</sup>Percentage changes from previous year.<sup>2</sup>in billion U.S. dollar.<sup>3</sup>Projected.Source: *OECD Economic Outlook*, no. 36 (December 1984); Annual Report 1984 (International Monetary Fund), Washington, D.C.



# **New Possibilities for A Peaceful Solution in Southeast Asia**

PHAM Binh

One year has elapsed since the First Vietnam-Indonesia Seminar, a year that has witnessed important developments in international relations and in the political configuration in Asia and Southeast Asia. These developments more than ever highlight the prospects we had anticipated one year ago and open up new possibilities for reaching the objectives we have set ourselves, namely a solution acceptable to all sides for the problems of peace and stability in this hot area of the world. It would be hard to grasp the full scope and the broad possibilities offered by these developments if we did not take stock of the whole international and regional situation in the past six years as well as of the challenges that we are to face in the coming years.

## **I.**

Everyone is aware that from 1978 to the present the United States has launched and taken the arms race, with its resulting cold war atmosphere, to unprecedented heights, thus driving mankind to the brink of a nuclear catastrophe. Since 1978 too the Chinese ruling circles have stepped up their collusion with the U.S., shouting themselves hoarse with clamours of war and stirring up storm and strife everywhere so as to reap for themselves western funds and technology in the realization of the four modernizations and of their ambitions of world hegemony. Due to the collusion between the two most reactionary forces and the latter's warlike policy the world situation has deteriorated to a point of extreme tension, more particularly in Asia. Making use of the so-called Kampuchea problem and the Afghanistan issue, China and the U.S. have fanned up military and political confrontation and undermined the

peace and security of Asian nations. During the last six years however, no matter how great the efforts exerted by the U.S. the latter has been unable to reverse the firm Soviet-U.S. strategic balance that has emerged since the late sixties, to wreck military detente in Europe and in East-West relations and to impede the vigorous growth of the forces of peace and national independence while it has itself not yet been able to extricate itself from the strategy crisis following the defeat in Indochina in the early seventies. Collusion at its highest between China and the U.S. has failed to turn back the trend of history.

Against this background deep changes have occurred in the relations among the big powers which have evolved towards a combination of tension and dialogue. The U.S.-Soviet talks of last January may usher in a new phase in the relations between the two superpowers after six years of acute tension. The talks can be anticipated not to be easy but rather difficult and complex and there remains a very serious risk of nuclear war. Yet the very fact that the U.S. and the Soviet Union should sit down and talk after six years of tension while both sides still remain unmoved in their respective positions, by itself assumes an extremely great significance. Similarly China's warm welcome to First Deputy Soviet Premier Arkhipov after an interval of fifteen years may mark a new improvement in the Sino-Soviet relations even though the three obstacles raised by China have not been removed. All this points to the strong popular desire for peace and a relaxation of international tension. It shows that the line of confrontation is being rejected while the line advocating dialogue and settlement of international disputes is gradually turning into the mainstream in international relations. We may, on sound grounds, be confident that this trend will grow on even stronger in the years from now to the end of the century and will impact in depth on the whole international relations, especially in Asia and the Pacific, a region now considered to represent the world future as far as economic potentialities are concerned.

As realists however, we cannot justifiably write off the possibility of conflicts between some big power and a state or group of states in the region. Of all the big powers the Soviet Union is the only state in the course of the 60 years since its birth, not to have engaged in any act detrimental to the independence and sovereignty of any country in this region. On the other hand all the countries, China included, that now view the Soviet Union as an enemy, have earlier enjoyed Soviet assistance in the struggle for their emancipation. In the course of the past 40 years the U.S. has launched the two biggest local wars in the world, in the two principal strategic areas of Asia, namely Southeast and Northeast Asia. Even ten years after, the U.S. has not yet drawn the lesson of its defeat in Vietnam, the warlike forces in the U.S. are still bent on spurring national chauvinism and call for a U.S. military comeback in Southeast Asia. It is clear however that the American people will not allow any second Vietnam to take place anywhere, especially not in Asia. A trend is gathering momentum



within the U.S. demanding that the latter assume a responsible role and contribute its part in restoring long-lasting peace and stability in Asia generally and Southeast Asia more particularly.

It is common knowledge that Chinese expansionism and hegemonism is the longest-lived kind of expansionism in the world. This originates from the depths of the history of China's development with which we are all familiar. Given its two-thousand-year old policy of hegemonism, a modernized China which, as our Indonesian colleagues have pointed out, would enjoy an overall agricultural and industrial output value four times higher and would have retrieved Hong Kong, will all the more pose an extremely great threat for all the nations of Asia and especially Southeast Asia viewed by China as its traditional area of expansion. Moreover we also have to face a no less serious challenge from the direction of a militarized Japan. The Japanese authorities make no secret of their intention to build their defense to a point where it can match with their economy and serve Japan's ambitions of economic expansion: to this end these authorities are trying to break free from the present ceiling imposed on Japanese military expenditures i.e., 1 percent of the GNP and have accepted to extend the outer limits of the Japanese navy's sea patrols to 1,000 nautical miles. A both economically powerful and militarized Japan will constitute a major threat for the nations of Asia and the Pacific, particularly those of Southeast Asia that were the victims of Japan's Greater Eastern Asia policy during the Second World War.

But the reality of history for the last forty years shows that Asia has been the location of the largest and longest wars in the world and of the greatest changes that have had a far-and-deep-reaching impact on the whole international situation. In the remaining years of this century, Asia will go through fierce struggles but also major changes on the whole beneficial to peace and national independence.

## II.

During the past six years concurrently with the tensions in the international situation, the state of confrontation created by China and reactionary forces in Southeast Asia had been severely exacerbated. Together with the developments that have evolved in the world after six years of tension, deep changes have taken place in Southeast Asia as a result of the fierce struggle that has unfolded there for the last six years.

During those years China and the forces in collusion with her have resorted to all means and manœuvres, except all-out war, in order to weaken Vietnam and bring about its collapse. In September 1979 Deng Xiao Ping explicitly

declared that Vietnam has to be driven to the point when in three or four years' time it will be forced into a standstill and three or four years later the Kampuchea problem will be settled. Still six years have gone by and although many difficulties remain, Vietnam has obviously not collapsed but is on the contrary step by step, steadily making headway. Encouraging changes have occurred within Vietnam's economy. The food problem has for the essential been solved. In three to five years to come the energy problem will also find an initial basic answer. The socio-economic situation of the Lao People's Democratic Republic is developing positively. For the first time in all these centuries Laos can now enjoy a reliable access to the sea, thus putting an end to its unilateral dependence on the traditional route via a western neighbour.

The factor that has assumed a decisive significance in the last six years is the miraculous renaissance of the Kampuchean people. The achievements recorded in all spheres by a nation just fresh from the scourge of genocide have amazed not only the friends but even the enemies of the Kampuchean people. The growth and consolidation of the People's Republic of Kampuchea together with the maturation of its army have made it possible for the Vietnamese volunteer forces to undertake gradual partial withdrawals for the past three years and will allow the bulk of these forces to be withdrawn within five to ten years to come. After six years, everyone, including the strongest supporters of the genocidal clique, has to admit that it is not possible to reverse the situation in Kampuchea. Even though China and Thailand try their best to blow up the "victories" of the "Kampuchean resistance forces" the growing weakness and disintegration of the Pol Pot followers and the reactionary Khmer forces are as clear as broad daylight. It is in this context that the impulse to try and break free from the Pol Pot clique and establish contacts with the government of the People's Republic of Kampuchea is growing irresistibly within the ranks of the Kampuchean exiles.

The People's Republic of Kampuchea has grown into an undeniable reality. The visits undertaken by Foreign Minister, Hun Sen -- now Chairman of the Council of Ministers of the People's Republic of Kampuchea -- in various African states and especially his visits and broad contacts in Sweden and France as well as the visits made to the People's Republic of Kampuchea by the French and Australian parliamentary delegations and two American congress-men's delegations at the end of last year prove that the pressure exerted by China and the U.S. in order to artificially retain Democratic Kampuchea's seat at the United Nations cannot check the trend towards establishing contacts and granting de facto recognition to the People's Republic of Kampuchea. This trend is intimately linked to the vigorous demand in the world at large for the elimination of Pol Pot and his clique so as to pave the way for a political solution to the Kampuchea problem.



The last six years have more than ever shed light on the true nature of the Kampuchean situation and on the origin of the tension prevailing in Southeast Asia. An increasing number of countries in the world and in Southeast Asia have come to realize the threat of China and its design in utilizing the Kampuchea problem against the three Indochinese countries, maintaining the state of confrontation between the ASEAN countries and the states of Indochina and weakening all sides in the region so as to carry out their expansionist and hegemonist schemes. Several leaders of Southeast Asian states have clearly stated that the Kampuchea problem is not an issue between the ASEAN and the Indochinese states. Some of these leaders also hold the view that the Kampuchea problem should not be allowed to slow down the economic progress of Southeast Asian states nor delay the establishment of a nuclear-free zone in Southeast Asia and the initiation of ZOPFAN.

As pointed out in the communiqué of the Foreign Ministerial conference of the three Indochina countries, this correct approach has facilitated the improvement of bilateral relations between the latter and the other Southeast Asian states and helped do away with the artificial obstacles to the setting up of a zone of peace, stability, friendship and cooperation in Southeast Asia. It is fitting for us here to emphasize the leading significance of the role played by Indonesia in this important development. The view which stresses cooperation among regional states in order to cope with danger from outside, reflects the far-reaching long-term strategic vision of the Indonesian leadership. Such a viewpoint reflects not only the interests and aspirations of the various nations in Southeast Asia but also the overall trend in Asia and the world. The growth of the movement for peace and denuclearization of the South Pacific countries offers yet another forceful evidence of this irreversible trend.

It may be said that today, after six years of crisis, only China and a few hawkish personalities among the Thai ruling circles still want to maintain tension and confrontation in the region with a view to serving their selfish interests. They steadfastly hold on to the genocidal Pol Pot clique as a tool against the three Indochinese countries, continually provoke tensions along the Thai-Kampuchean, Thai-Lao and Sino-Vietnamese borders, attempt by all means to sustain the Pol Pot clique in their determination to re-install the latter back in Kampuchea through military means. They reject all peace and negotiation proposals put forth by the three Indochinese states, try their best to hinder any effort on the part of Southeast Asian states, western countries and the Secretary General of the United Nations in his personal capacity to promote dialogue and move towards a political solution acceptable to all sides. While persistently blocking all avenues leading to a solution of the Kampuchean problem, the Chinese authorities do not conceal their intention of pitting Southeast Asian nations one against another so that they may wrest the monopoly for a solution of the Kampuchean problem in the service of their hegemonis-

tic interests just as they once took advantage of the Indochinese peoples' war against French colonialism at the 1954 Geneva Conference and of the Vietnam's war of resistance against U.S. imperialism in their bargaining with the U.S. during Nixon's visit to China in 1972.

To our considerable regret we have to say that the communiqué issued by the Foreign Ministerial Conference of ASEAN states held in Bangkok on February 11th and 12th last does not reflect the changed reality of the situation in the world and in Southeast Asia the last six years. This communiqué wholly duplicates China and Thailand's viewpoint, namely their demand for a unilateral withdrawal of Vietnamese forces while China retains a free hand in threatening the three Indochinese peoples, their denial to the Kampuchean people of the right to punish the Khmer reactionaries while the Pol Pot clique is free to make use of Thai territory as sanctuaries for their operations against the Kampuchean people's renaissance. The past six years demonstrate that this is a path that only leads to an impasse and further aggravates the situation.

### III.

The changes that have occurred in international relations, in the relations among Southeast Asian nations and in the Kampuchea problem itself during the last six years present us with two possibilities for a solution to the question of peace in Southeast Asia:

- a. A political solution is reached on the basis of the withdrawal of Vietnamese forces from Kampuchea, the elimination of the Pol Pot clique, respect for the national rights of the Indochinese and other Southeast Asian countries, and peaceful coexistence among Southeast Asian states with different social systems.
- b. A political solution not being attained, tension and confrontation will continue to prevail as at present. The facts of the past six years show that China's design to reverse the situation in Kampuchea, compel the Vietnamese forces to withdraw immediately and totally or to be bogged down without any prospect of possible withdrawal, has met with failure. Vietnamese volunteer forces have partially withdrawn from Kampuchea in the course of the last three years and will continue to do so this year and in the years to come. In this perspective, five to ten years from now the so-called Kampuchea problem will of itself be solved without the need for any solution.

We consider that the time has come for a common endeavour so as to find a solution acceptable to all sides and restore peace and stability in Southeast Asia.



Inspired with this conviction, the Conference of the Foreign Ministers of Laos, Kampuchea and Vietnam evoked on January 18th, 1985 the necessary factors for a negotiated solution. This is a proposal stemming from the characteristics of the region and the actual situation during the past six years and conforming to the aspiration of all countries inside and outside the region that is the wish for the withdrawal of Vietnamese forces from Kampuchea, the elimination of the Pol Pot clique, respect for the right to self-determination of the Kampuchean people and an international guarantee and supervision agreed upon by the various parties.

The first point consists in the withdrawal of Vietnamese forces from Kampuchea and the elimination of the genocidal Pol Pot clique which fully conform to the aspirations of all states. As is widely known one of the reasons for the presence of the Vietnamese army in Kampuchea is meeting the request of the Kampuchean people in struggling against the genocidal regime of the Pol Pot clique. With the exception of China and the Pol Pot clique itself, no one in the world today looks forward to the restoration of the latter's genocidal regime in Kampuchea. A broad consensus has emerged regarding the need to exclude the Pol Pot clique so that the Vietnamese forces may soon withdraw from the country. Sihanouk himself has several times declared that if Vietnam withdrew its forces immediately this would be followed by Pol Pot's return. Therefore the withdrawal of Vietnamese forces has to be undertaken, concurrently with the exclusion of the genocidal Pol Pot clique, the sooner the latter is accomplished the earlier the withdrawal. Separating the withdrawal of Vietnamese forces from the exclusion of the genocidal Pol Pot clique amounts to bolstering the latter. A matter of interest to the public is how and by what means to exclude that clique. Vietnam and Indonesia are agreed that the Pol Pot gang has to be eliminated both militarily and politically. As for the means to achieve this objective they can be a matter for discussion.

Some are of the view that Pol Pot has to be excluded through general elections. The problem is that no ethic, no law, whatsoever, whether national or international, ever allows criminals to enjoy civic rights such as taking part in elections. The genocidal Pol Pot clique cannot be granted electoral rights in Kampuchea just as the fascist war criminals could not be given such rights in post-war Germany. Some people while approving of Pol Pot's liquidation, in reality help maintaining this clique. As the facts of the past six years indicate, if the Pol Pot clique has been able to survive at all it is thanks to the sanctuaries it has been enjoying on Thai soil and the supplies it has received from China via Thai territory. The humanitarian aid to the refugee camps along the Thai-Kampuchean border has been utilized to feed and replenish the Pol Pot forces in their criminal activities against the Kampuchean people. Only when this whole state of affairs is brought to an end can the exclusion of the Pol Pot clique be practically meaningful.

The second point consists in respect for the Kampuchean people's right to self-determination. What however is this right for the Kampuchean people? For the latter this means first and foremost the right to live and build a new life free from any renewed threat of genocide. It would be meaningless to speak of respect for the right to self-determination of the Kampuchean people without working out the measures needed to prevent the reoccurrence of genocide. Only once the Pol Pot clique is eliminated can the Kampuchean people be free to decide their fate and hold free general elections with the presence of foreign observers. As for the modalities of such elections this is an internal matter for the Kampucheans to decide among themselves. This would wholly conform with the aspirations of the Kampuchean people as well as of all justice loving nations.

The third point deals with the conversion of Southeast Asia into a zone of peace and stability and the achievement of peaceful coexistence among countries with different social systems. Wherever in the world peace and stability are to be secured the indispensable preliminary condition for this is that states with different social systems in the region should coexist peacefully, respect one another's independence, sovereignty and territorial integrity and not allow their respective territories to be used against other countries. This is all the more significant in the context of Southeast Asia. In the course of the past forty years the territories of a few Southeast Asian states have been used by foreign powers as bases for aggression of other states in the region. At present Thai soil is being used as a base of operations against the renaissance of the Kampuchean people and for subversive activities against Laos and Vietnam.

The fourth point is respect by outside states of the national rights of Southeast Asian countries. This is an extremely important point for we know that in the past forty years the root cause of instability and the threat to the peace and security of Southeast Asian nations has been foreign aggression and intervention, of which Indonesia and Vietnam have both been victims so that these two countries are more than anyone aware of all the significance that this problem assumes for regional peace and stability.

The last point is an international guarantee and supervision of the implementation of agreements reached. This matter has to be debated and agreed upon between the parties concerned. In our opinion it is necessary to study thoroughly the experience of various countries as well as of Southeast Asia itself in the past forty years before an agreement can be reached on an effective form of international guarantee and supervision that can be truly of use in restoring peace and stability in the region and in keeping with the interests of all parties concerned.



The five points just mentioned form a whole in the framework of an overall solution. At the same time the settling of any single one among the five points referred to will stimulate and facilitate the solution of the remaining points.

With regard to the form of the talks the three Indochinese countries advocate the holding of an international conference with the participation of Southeast Asian states as well as of countries outside the region that are directly concerned and have contributed to regional peace and stability. In this spirit we can agree on the composition of the participating states.

The high urgency of the present situation calls for efforts from all sides in the search for a solution. A few differences still exist among us. The best thing is that all sides should soon sit down and talk over their respective proposals. If good will is forthcoming from all sides we feel confident that it will be possible for us to reach a fair and reasonable solution. If this is not yet feasible all parties may still sit down and talk. We welcome to initiation of various bilateral dialogues with a view to increasing mutual understanding and easing the way for differences to be overcome so that Southeast Asia may be built into a zone of peace, stability, friendship and cooperation.

What matters most is for us all to show solidarity, mutual understanding and good will. In past history and more particularly in the past forty years forces external to the region have always attempted to divide us and to pit Southeast Asian nations against one another so that they may rule the roost. Solidarity is the most decisive factor in ensuring independence and prosperity for each respective country. While we consolidate solidarity among the three Indochinese countries we also value solidarity among ASEAN states. We do not wish the ASEAN states to be divided just as we do not want anyone to sow division among the Indochinese countries for be it among the former or the latter any such division would weaken all of us Southeast Asian nations. We wish to see the states of Southeast Asia united so that they can have the strength needed to cope with the danger of Beijing's expansionism and hegemonism and with the challenges that are confronting us. At the same time we wish the Southeast Asian states to unite in resisting the attempts by hostile forces from outside to set our two groups of states, of ASEAN and of Indochina, each against the other as a result of which we cannot concentrate on the solution of the pressing socio-economic problems faced by each respective country.

Meanwhile these powers are bent on strengthening their own economic and military potential. Any division among the ASEAN states or among the Indochinese nations is detrimental to the cause of peace and stability in Southeast Asia and beneficial only to the imperialist and expansionist forces from outside in so far as such divisions could provide the latter with a pretext to interfere in the internal affairs of Southeast Asian states and to undermine peace and stabi-

lity in this part of the world. Faced with the reality of differences still prevailing among Southeast Asian states we need to devise a common framework to settle these differences and prevent them from growing out of control. In this common endeavour Indonesia plays a major role for all through the past forty years it has never sided with the forces of aggression from outside against the countries of the region. It is within Indonesia's ability to unite the states in the region, to bring ASEAN and the Indochinese nations to a better mutual understanding so as to build a Southeast Asia of peace, cooperation and friendship. We appreciate highly General Moerdani's February 1984 visit and Foreign Minister Mochtar Kusumaatmadja's coming visit to Vietnam as well as the Vietnam-Indonesia seminars among scholars of both countries.

We feel confident that given her prestige, Indonesia can bring into full play her role in contributing a worthy part to the nonaligned movement, to solidarity among African and Asian nations and to the achievement of a solution that will ensure lasting peace in Southeast Asia. In this spirit Vietnam thinks highly of General Moerdani's interview with *Reuters* on December 16, 1984 published in *Jakarta Post* issues of 18, 19, 20 and 23 December 1984, according to which "Vietnam and the rest of Southeast Asia should forge closer ties to face the potential threat from a stronger China in the next century and "the countries outside China especially in Southeast Asia will have to be united if not physically then ideologically." This statement offers yet another manifestation of the farsighted and consistent foreign policy pursued by President Soeharto and the Indonesian government.

Whatever the circumstances, whether a solution is attained or not, friendship and cooperation between both our countries are of utmost importance to the struggle for the independence and prosperity of each country and for peace and stability in Southeast Asia, Asia and the world.



# **ZOPFAN and the Kampuchea Conflict**

Jusuf WANANDI

The first part of this paper is concerned with the establishment of a regional order in Southeast Asia as desired by ASEAN and as expressed in the ZOPFAN (Zone of Peace, Freedom and Neutrality) idea. This idea suggests the direction in which ASEAN wishes to see the Southeast Asian region develops. It is a regional order in which Southeast Asians themselves will be in the position to maintain peace and stability in the region and to determine their own future.

ASEAN has repeatedly stated that the Kampuchea conflict constitutes a main obstacle to the realization of the ZOPFAN idea. The second part of this paper reviews the recent development in the positions of ASEAN, Vietnam, and China, concerning the conflict and the prospects for its settlement.

## **THE ZOPFAN IDEA**

The ZOPFAN idea has been aired and adopted by ASEAN as an expression of its desire to establish a regional order which determines the nature of relations among the countries in the region as well as relations with countries outside the region -- including the major powers. The ASEAN countries believe that on this basis they could maintain peace and stability in the region which are necessary for promoting national and regional developments. This regional order also implies that the Southeast Asian countries themselves will be in the position to determine their own future and to prevent regional conflicts from arising. This means that none of the major powers will have a

dominant position in the region and that the major powers will not be given any opportunity and justification to intervene.

The foundation for the realization of the ZOPFAN idea is national and regional resilience, and not merely based on a *de jure* recognition by the major powers.

ASEAN recognizes from the very beginning that this regional order should involve all countries in the region: Brunei, Burma, Indonesia, Kampuchea, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

During the years since the inception of the idea questions have been raised by people within and outside the region as to whether this idea of a regional order is a realistic one, and not merely an ideal which cannot be realized.

If one would examine the objectives of establishing such a regional order, in fact one could see that its implementation could be gradual, since it entails various aspects.

The first aspect is the creation of a peaceful and stable environment conducive for development. In part of the region, namely in the ASEAN region, this goal has been achieved and has greatly contributed to its remarkable economic performance.

The second aspect is the prevention of conflicts among neighboring countries. The ASEAN countries have achieved great progress in this respect as well. The establishment of ASEAN has greatly enhanced mutual trust, mutual understanding, and mutual help, among its member countries which have enabled them to manage crises that have emerged amongst them, such as on the border problems between Malaysia and Thailand.

The third aspect is the structuring of relations between ASEAN countries and other countries in the region, namely Burma, Kampuchea, Laos, and Vietnam. The Kampuchea conflict has become an obstacle to its implementation. The roots of the conflict and the way it develops have created great doubts among the ASEAN countries in the possibility to co-exist peacefully and cooperate with some of their neighbors. This ideal was offered by ASEAN heads of state in the first ASEAN Summit in 1976. The conflict has shaken the trust and confidence on the part of ASEAN towards Vietnam, whereas such trust and confidence are a necessary condition for the creation of a regional order.

The Kampuchea conflict, in fact, has equally become a set back in terms of the attempts by the countries in Southeast Asia to structure their relations with



the major powers, since some countries in the region have felt the need to rely on certain major powers. This development is contrary to the ZOPFAN idea which aims at a set of relations with the major power that will result in a balanced presence of them in the region, without one of them having a dominant position, both *de facto* and *de jure*.

In any case the ASEAN countries continue with their determination to work for the realization of a regional order based on the ZOPFAN idea. The momentum should not be allowed to lapsed. In fact, the annual meeting of ASEAN foreign ministers in July 1984 has reiterated the commitment to the realization of the idea. As stated in the keynote address delivered by President Soeharto: "ASEAN is determined not to let itself become an arena of rivalry among the great powers which is not at all in the interest of ASEAN. That is why we cannot sit idly in the face of a situation that threatens the peace and stability of our region."

## THE KAMPUCHEA CONFLICT

The last quarter of 1983 and the first quarter of 1984 have seen an upsurge of diplomatic activities over the Kampuchean problem. Too much might have been expected to result from those activities. Such high hopes seemed to be responsible for the great disappointments that follow.

The stalemate continues and, in fact, relations between ASEAN and Vietnam have deteriorated since, in part as a result of renewed Vietnamese military actions along the Thai border. The pessimism which has prevailed since then has aroused serious doubts as to the possibility of a political solution of the conflict.

The joint communique issued at the end of the ASEAN foreign ministers meeting in July 1984 clearly indicates ASEAN's disappointments. After reiterating the ASEAN appeal of September 1983, it states that the foreign ministers "expressed their serious concern over the recurrent acts of Vietnamese aggression along the Thai-Kampuchean border and the intrusion of Vietnamese troops as well as frequent artillery bombardments of Thai territory .... They expressed their deep disappointment that Vietnam still shows no intention to seek a peaceful settlement of the Kampuchean problem."

It is the view of this author that the initial over-optimism and the subsequent pessimism were based on an incorrect assessment of the nature of the diplomatic efforts and the attitudes of the parties concerned. It should have been recognized from the outset that this five-year-old conflict cannot easily

be solved. While those diplomatic activities did not bring about the long-awaited process of negotiations among the parties concerned, they at least have led to further clarification or redefinition of the positions held by Vietnam, ASEAN, and China.

Initially, it seemed that ASEAN and Vietnam were coming closer to one another's position on two issues which had till then divided them, namely: (a) the principles on which the solution to the conflict were to be based; and, (b) the mechanism by which a solution were to be sought. However, what has prevented them from coming to the conference table was and still is the lack of an initiative on either side to take the first daring step. Each time when the positions of the two sides seem to converge and come closer to agreeing on starting a negotiation, the process tends to reverse itself. This seems to be to the lack of mutual trust between Thailand and Vietnam and the lack of confidence in the willingness of both sides to compromise.

In the eyes of ASEAN, Vietnam continues to suffer from a credibility gap. The few times in which Vietnamese leaders pledged for better relations with ASEAN have ended with disappointments due to Vietnamese renewed military actions, which have aroused great concerns in the ASEAN countries, especially Thailand. It has not been forgotten that the Vietnamese invasion of Kampuchea in 1978 occurred only a few weeks after Prime Minister Pham Van Dong visited the ASEAN countries. This pattern seems to recur over the years.

ASEAN feels that Vietnam also fails to seriously respond to its proposals, and except for the repeated declaratory statements Vietnam has not come up with concrete proposals. There is the impression that rather than trying to build the kind of confidence which would enhance Vietnam-ASEAN relations, Hanoi has employed the tactics of splitting ASEAN or playing ASEAN against other countries, such as Australia.

On its part, ASEAN feels that it has moved forward by issuing the so-called ASEAN appeal of September 1983, which suggests some modifications of its earlier position, namely with regard to the following:

- a. ASEAN continues to uphold the two principles -- of non-intervention and of national self-determination -- which have been violated by Vietnam with its invasion of Kampuchea, but ASEAN no longer insists on linking any effort to solving the conflict to the ICK (International Conference on Kampuchea) framework;
- b. ASEAN accepts a gradual withdrawal of Vietnamese troops from Kampuchea, preferably to start from the Western part bordering Thailand or from any other less critical parts which do not pose verification problems.



In addition, some of the items in the appeal have been given a new interpretation by President Soeharto. They have been suggested to Foreign Minister Nguyen Co Thach when visiting Jakarta in March 1984 and subsequently adopted by the ASEAN foreign ministers in the May 1984 special meeting. The new interpretation refers to the following items:

- a. In order to prevent the Khmer Rouge from regaining a position of power as a result of the vacuum created by the withdrawal, an international force consisting of parties agreed upon by Vietnam and ASEAN can be established to supervise both the withdrawal itself and the act of self-determination which is to follow. This interpretation gives room for the Vietnamese troops to take part in the proposed international force;
- b. ASEAN supports the efforts towards national reconciliation in Kampuchea, in which the Heng Samrin group is included as a party in the process.

The ASEAN appeal can be seen as an invitation to Vietnam to enter into a process of negotiations in which the various proposals can be worked out in detail. Vietnam's failure to respond to the appeal left ASEAN with no other alternative than to wait and see. In spite of the continuing stalemate, the ASEAN foreign ministers meeting in July 1984 suggested that Indonesia should continue its dialogues with Vietnam. The foreign ministers were of the opinion as well that the government of Democratic Kampuchea under the leadership of Prince Sihanouk should play a more active role. ASEAN hoped that thereby it can detach itself from a too active and direct involvement in the Kampuchean problem so as to be able to devote greater attention to the more important task of enhancing ASEAN's economic cooperation.

The Vientienne Declaration, issued by the foreign ministers of Vietnam, Laos, and Kampuchea (Heng Samrin) in January 1984, has been seen as part of Vietnam's increased diplomatic efforts which continued throughout the year. Those efforts include Foreign Minister Nguyen Co Thach's visit to Japan and his activities during the last UN General Assembly.

Those diplomatic activities helped clarify the Vietnamese position on a variety of issues, but they also suggested that essentially Vietnam was not yet prepared to enter into serious negotiations towards resolving the conflict politically. The Vientienne Declaration, which among other things suggested alternative scenarios for arriving at a political solution, suggested some modifications in Vietnam's position. Initially, Vietnam insisted that a regional meeting between ASEAN, Vietnam and Laos should discuss all sources of conflict in the Southeast Asian region, including the presence of U.S. military

bases in the Philippines. Later on, during Foreign Minister Co Thach's visit to Australia, he agreed that such a meeting should primarily focus on the Kampuchean problem.

Vietnam also seems to have redefined its condition for withdrawal from Kampuchea. Earlier it maintained that as long as they perceive the Chinese threat to be present it will not withdraw from Kampuchea. Lately, it has emphasized on the threat posed by the Khmer Rouge from the Thai-Kampuchean border, and seems to have de-linked the Chinese threat from the Northern border from the Kampuchean problem. Despite then redefinition of the condition for withdrawal, the question regarding the future of the Khmer Rouge is not easy to resolve. Firstly, how would the Khmer Rouge be eliminated, military and politically? Secondly, what is meant by the Khmer Rouge? In fact, these questions could be dealt with and negotiated on only if ASEAN and Vietnam could come to the conference table.

This author is of the opinion that Vietnam has not yet come to the state where it is ready to compromise. Firstly, it seems to the author that Vietnam remains deeply concerned with its security, which led to its invasion of Kampuchea in the first place. It has stated that only an elimination of the Khmer Rouge would provide a guarantee to its security. Secondly, the leadership in Hanoi does not seem to recognize the need for a compromise, either on economic grounds or in view of continuing unfavourable international diplomatic pressures. In addition, it may find that militarily it still has sufficient control over the situation on the ground in Kampuchea, despite recent increases in the activities of DK (Democratic Kampuchea) troops.

In short, this author has the impression that Vietnam is not prepared to withdraw from Kampuchea so long as it cannot be confident in the Heng Samrin regime's ability to survive. This could imply a presence for another 5 to 10 years. In addition, Vietnam seems to regard the cost of its present strategy quite bearable. This author, however is of the opinion that Vietnam's diplomatic activities which seem to be aimed at, minimally, lessening international pressures by projecting some moderation of its position on the conflict, and maximally, influencing the process so as to achieve a settlement of the problem on its own terms, may no longer suffice.

China's determination to continue to exert pressures on Vietnam may have a variety of purposes. It may be aimed at forcing Vietnam to come to a political compromise. It may be meant, as stated by Deng Hsiao-ping to some ASEAN leaders in 1980 to force the Vietnamese to fall in the embrace of the Soviet Union for 10 years or so in order to teach them what this means, which



ultimately, as did the Chinese, would lead them to try to free themselves from the dependence on the Soviets.

For China, the cost of its present policy towards Vietnam and the Kampuchean conflict seems to be minimal. Therefore, there does not seem to be any urgent reason for China to change its policy on the Kampuchean problem.

Recent efforts towards normalization of relations between China and the Soviet Union may affect China's attitude and policy towards Vietnam. So far, both China and the Soviet Union seem to share a great interest in improving their bilateral relations. The Kampuchean conflict does not seem to stay in the way of the normalization of Sino-Soviet relations. This is clearly suggested by the successful recent visit of Arkhipov to Beijing.

There are reasons to believe that the Soviets will not let the Kampuchean conflict, and their support for Vietnam, cause a strained relationship to develop with either China or the ASEAN countries. The Soviets may have recognized that a prolonged conflict over Kampuchea would only benefit the United States and China. While it may find itself unable to exert effective pressures on Vietnam to change the latter's attitude on the Kampuchean problem, the Soviet Union may try to separate its policy towards Vietnam from its policies towards China and ASEAN.

China's policy towards Vietnam has not been entirely a function of its relations with the Soviet Union. Its hostility towards Vietnam may have deeper roots, partly for racial reasons and partly emotional in nature. The PRC felt deeply insulted by the expulsion of the Chinese population from Vietnam.

The above brief examination suggests that it is not unlikely for China to continue with its policy of bleeding Vietnam white. Furthermore, one cannot assume that China would consent to any compromise solution on the Kampuchean problem which could be agreed upon by ASEAN and Vietnam. It is unclear how far the PRC is ready to drop its support for the Khmer Rouge.

In early March 1984 the PRC's Foreign Minister Wu was reported to have indicated in Kuala Lumpur that China wishes to see a government in Kampuchea which is neutral, independent, and non-aligned. This statement seems to suggest that China would no longer insist on a Kampuchea which is ruled by the Khmer Rouge. However, it was also known that Prince Sihanouk was prohibited by China to meet with representatives of the Heng Samrin regime at the end of last year.

## FUTURE PROSPECTS

None of the interested parties in the Kampuchean problem, either Vietnam and China or ASEAN and the other major powers, seems to consider the cost of its present policy to be burdensome. No one, thus, sees the urgency to move and to come to an early settlement of the conflict.

This does not mean, however, that a protracted conflict could not lead to further deterioration of Southeast Asia's stability. An escalation of armed clashes between Vietnam and Thailand is not unlikely. If this occurs, China may not stand still.

As far as ASEAN is concerned, it regards the ball to be in Vietnam's court, and it does not seem that ASEAN can do much without a serious move on the part of Vietnam.

It remains a subject to speculation as to whether the present Vietnamese leadership would come to a realization that a compromise would be in Vietnam's longer-terms interest. In spite of its ability to maintain sufficient military control on the ground in Kampuchea over the next 5 to 10 years, the cost in terms of foregone opportunities to step up its economic development may turn out to be very high. An economically backward Vietnam would make it an irrelevant participant in Southeast Asian affairs.

Since such a development would not be in the interest of ASEAN as well, ASEAN, Indonesia in particular, should continue with the efforts to seek for a settlement of the Kampuchean conflict, to be negotiated primarily in the framework of a regional conference. An international conference can be organized at a later state merely to provide international support for that regional agreement.



# Vietnam-Indonesia Concurrences: Past and Present

CAO Xuan Pho

The situation in Southeast Asia is developing along a trend favourable to peace and stability. In spite of the different political systems between the three Indochinese countries and the ASEAN group, all of them share a common aspiration -- building Southeast Asia into a zone of peace, stability and co-operation as evidenced by the efforts made in the past years by especially Indonesia and Vietnam. Indonesian Foreign Minister Mochtar Kusumaatmadja, after the conclusion of the Conference of Foreign Ministers of the ASEAN countries in Jakarta in October 1983, stated that relations between ASEAN and Vietnam were very good and there was no conflict between the two sides (*Nhan Dan*, November 13, 1983). The tendency toward dialogue is spreading in Southeast Asia. That is why today for the second time, we Indonesian and Vietnamese scientific researchers meet here to discuss the relations of friendship and cooperation between our two countries.

"Everything is hard at the start" and "when head passes smoothly, tail will get through" (in other words, all that starts well will end well), so assert two Vietnamese sayings. Last year, we began the discussion in Hanoi. The initial knots, if any, have been untied. This year, the conditions must be more favourable for us to deepen mutual understanding.

## MEMORABLE HISTORIC LANDMARKS

I shall confine myself to a few important landmarks relating to the fates and missions of the two nations, Vietnam and Indonesia, in the course of history.

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### 13th Century

From 1258 to 1288, three victories of the Dai Viet people and army over the Yuan aggressors ended the latter's downward thrust to invade Southeast Asia. In 1293, the last Yuan warship left the Java coast, marking the end of the dream of hegemonistic expansion to Southeast Asia cherished by the Yuan dynasty.

Up to 1258, the Yuan had achieved their conquest of part of North Asia (North China, Korea), Central Asia, part of Europe (lands of Russia, Poland, Hungary, thrusting as far as Vienna), Middle East (Persia).

The conquering horse hoofs of the Yuan army would not have willingly stopped at the date of 1258, but would have gone far beyond in time and space. They did turn to Southeast Asia. However, right at the 40-day period when they treaded Bagdad (1258), slaughtered 800,000 civilian people there, burned out all libraries accumulated through centuries, they experienced defeat for the first time in Dai Viet, a small country in the South, next door to theirs. And subsequently they suffered setback upon setback, in Dai Viet then in Singosari (Indonesia), routed beyond recovery. The Yuan empire stopped developing hence forth.

The victories of Dai Viet and Indonesia spared West Europe from a great threat affording it favourable conditions for promoting trade, expanding markets, extensively applying new scientific and technological means, creating the premises for the coming into being of capitalism in Europe.

### 15th Century

In the period 1407-1427, Dai Viet was invaded by the Ming. Le Loi led the Vietnamese people in the resistance against the Ming and independence was regained.

Right at the same period, with their dreams of domination over Asia, the Ming launched seven major naval expeditions, from 1405 to 1433, to Java, Sumatra, India, Ceylon and as far as the Persian Gulf and East Africa. Admiral Cheng Ho seized Palembang, left his men in control of the local administration and monopolized the trade, via Java, with Moluccas, the archipelago of aromatic spices. The Great Majapahit lost control over the sea.



## 16th to 19th Century

Indonesia and Vietnam in turn fell under the domination of Western colonialism. Indonesia was successively ruled by the Portuguese, Spanish, British and Dutch colonialists. Viet Nam was seized by the French colonialists. The struggle of peoples in our two countries against colonialism went on uninterruptedly.

## 1945

In the early 1940s, Vietnam and Indonesia were both invaded by the Japanese fascists and forced into their orbit of Greater East Asia.

The great victory of the Soviet Red Army and the anti-fascist forces in the world in World War II created infinitely favourable conditions for the movement of national liberation and independence all over the continents, especially in Asia and Africa.

At this juncture, the August 1945 Revolution triumphed in Vietnam and the Democratic Republic of Vietnam came into being. At the same time, another successful August 1945 Revolution in Indonesia gave birth to the Republic of Indonesia. The two first victorious revolutions in Southeast Asia of our two nations ushered in a new era in Southeast Asia, and marked the beginning of the national liberation movement against old colonialism in the whole world.

From 1945 to 1960, as many as 40 countries in Asia and Africa recovered their independence. Their population numbered more than 800 million or one-fourth of the world's population. Gradually, the Asian and African countries stand up by playing an important part in the world arena.

On the other part, the role of imperialist countries waned after World War II, what with the impact of war damages, what with the disintegration of the colonial system, main source of sustenance for the "metropolises."

So evolved two contrary trends: on the one side, the former colonies on the upswing in all fields, on the other, the old imperialism on the decline.

## 1954-1955

The 1954 Dien Bien Phu victory in Vietnam tolled the knell for old colonialism in the whole world. Indonesia as a victim of aggressor im-

perialism, having risen up to struggle for self-liberation and national independence, was much more aware of the sacred meaning of "National Independence" and has never ranged itself with the aggressor since the first resistance war of the Vietnamese people. Inversely, imbued with the sense of solidarity among newly independent peoples, Indonesia was one among the initiators of the Bandung Conference. The Conference, held in April 1955, condemned colonialism and racial discrimination, general disarmament and economic cooperation.

Clearly enough, the two aforesaid events are closely related. The Dien Bien Phu bell not only tolled the knell for old colonialism, but also awakened the dependent and oppressed peoples to confidence in their own force and capacity to liberate themselves from the bonds of slavery.

The Bandung Conference served as amplifier for the Dien Bien Phu tocsin to resound more strongly and spread farther and more widely.

The two above-mentioned events encouraged the Vietnamese people to enthusiastically step in a new period of the nation's history: that of building a peaceful, independent unified, democratic and prosperous Vietnam. They also inspired the Indonesian people, so much so that they achieved a tremendous success: the Indonesian state nation became one, undivided, unsevered.

This brief look into past history was to help us realize that the two peoples of Vietnam and Indonesia have a great thing in common: They are both former colonies which stood up to wrest back their independence, they have both been victims of Chinese expansionism and hegemonism.

## ANALOGOUS OPTIONS

In the recent struggles of the Indonesian and Vietnamese peoples for national liberation, a problem stood out as most crucial: *independence and reunification*. The struggle for national independence generally goes alongside that for national unity. These are two aspects of a problem so frequently occurring in history that it can be considered as a law of history.

Right after Vietnam was deprived of independence by the French colonialists (1858), this country was divided in three parts: Tonkin, Annam and Cochinchina, with three different political regimes. The successful August 1945 Revolution brought back independence to the nation and at the same time gave birth to a unified Democratic Republic of Vietnam. In the wake of the Allied forces coming to disarm the Japanese troops, the French got back in



Vietnam and set up "nations" (e.g. "Cochinchina nation") right in a freshly-unified Vietnam. The Dien Bien Phu victory (1954) restored peace in the whole of Vietnam, opening up new prospects for national independence and reunification. However U.S. intervention endorsed by China prolonged the partition of Vietnam. The splendid spring 1975 victory of the Vietnamese people and armed forces brought back total independence to the nation and helped achieve complete reunification of the country.

Through more than a century of struggle, the Vietnamese all the more clearly realized that national independence can be genuine only when wedded with national unity, that the partition of the country was the work of outside forces, that the "divide and rule" policy is a traditional policy of the Western aggressive forces and Chinese expansionism.

Indonesia has also suffered division and dismemberment by Western imperialist countries (Portugal, Holland, France, Great Britain) since the middle of the 16th century. The Indonesian people recovered their independence in August 1945, but only after five more years of unfaltering struggle, did they succeed in achieving complete sovereignty over the country in August 1950.

Right on August 17, 1945, Indonesia's Declaration of Independence stressed that the Republic of Indonesia is an independent, unified, sovereign, equitable and prosperous Indonesian state.

Clearly enough, Indonesia's independence can only be genuine and consolidated firmly in the condition of a unified country. No matter how vicious the "divide and rule" policy of Dutch colonialism might be, eventually, success was the Indonesian people's and their country was at last unified.

History has shown: Vietnam and Indonesia have gone through similar experiences and opted for analogous solutions. Both peoples wrested back their independence from colonialist powers through two revolutions occurring simultaneously in August 1945.

*Peace and cooperation* constitute a specific pair of categories in the foreign policy of Vietnam and Indonesia in the last four decades.

Considered from a logical and practical angle, the Vietnamese people are attached to peace more ardently than anybody. No other nation in the world has been subjected to so many foreign invasions as the Vietnamese. In 40 years past, they had to endure two of the fiercest wars ever fought in the world which opposed them to French colonialism and U.S. imperialism. Destruction is the inevitable corollary of war in both the infra-structure and super-

structure of their country and society; it severely affects the economic, cultural and social life, not only of one, but of many successive generations. Therefore, wars are only hinge-like periods which the Vietnamese nation is forced to go through. No nation willing to pursue welfare and happiness chooses to live exclusively on wars. Moreover, the Democratic Republic of Vietnam, now the Socialist Republic of Vietnam, state, being the only authentic representative of the Vietnamese people's interests, must necessarily take peace as essential goal, since only peace can efficaciously bring about a life of welfare and happiness for the people.

Through its 2,000 years of history, Vietnam has been ruled by foreign powers six times totalling 1,200 years and invaded 21 times. In fact there were only 500 years of peace, 500 out of 2,000. That is why the Vietnamese in the past, and especially at present and in future earnestly need peace and stability in order to build their country and bring real welfare and happiness to themselves.

Indonesia has been invaded many times in its history. The Indonesian people at least had to face two major expansionist attempts by China in the 13th and 15th centuries, and quite a few Western colonialists powers (Portugal, Spain, Britain and the Netherlands). For over four centuries (from mid-16th to mid-20th centuries) they lived under the rule of colonialism and yet they relentlessly fought for their independence and sovereignty. And rare in history are instances of such people as the Vietnamese who have been struggling dauntlessly and perseveringly for the preservation of their independence and national identity, in spite of aggressive wars launched by the biggest and longest lasting expansionism and hegemonism in the world, and of periods of foreign rule that at times lasted for centuries. The Indonesian people must surely have a deep understanding of what independence and peace mean for their nation. That must be the reason why since independence, Indonesia has not joined any regional military alliance (such as SEATO), but has been among the initiators of the Bandung Conference and, later on, the Non-Aligned Movement.

As an old Vietnamese saying goes, Vietnam and Indonesia have "the same voices (that) sound together, the same spirits (that) meet together."

When China acted against Indonesia (in 1965) Vietnam did not go along with China against Indonesia. When the United States waged a war of aggression against Vietnam, Indonesia supported Vietnam and was the only country in Southeast Asia that established diplomatic relations with Vietnam in 1964. Since 1979, when China attacked Vietnam, Indonesia has not gone along with China to oppose Vietnam and since China began to pit the ASEAN group



against the Indochinese countries, Indonesia has worked for the promotion of dialogue that would lead to conciliation between Southeast Asian countries.

Such were the facts. They constitute eloquent evidence of the mutual understanding and mutual assistance between the two peoples.

## NEW PROSPECTS

After several years of tense confrontation, the situation in the world and in Asia is developing. There have been readjustments of relations between countries. East-West relations have been maintained; economic, trade and technological exchanges are being pursued.

Then, what aspect Southeast Asia would present in such a development and how should we behave?

Let us go back to some ten years ago and examine the question from that remote angle.

In the 1970s, Southeast Asia and especially Vietnam was a hot spot of the world. Together with the victories of the three Indochinese countries in 1975 there emerged a trend toward peaceful coexistence between countries with differing political and social systems.

The political aspect of Southeast Asia after 1975 presents a salient feature: the U.S.-China collusion. In the post -- Vietnam period, the U.S. has played the China card to maintain its interests in Asia. Meanwhile, the U.S.-Japan alliance is regarded by the United States as the "pillar" of U.S. policy in Asia and the Pacific.

Today, many people have realized that confrontation is not profitable at all to any of the ASEAN and Indochinese countries. Jusuf Wanandi was quite right when stating that "ASEAN would, in fact, not gain anything from exercising continued pressures on Vietnam so as to weaken Vietnam in a period of 5 to 10 years to come, as aimed by the PRC."<sup>1</sup> Moreover, Vietnam wishes no division within the ASEAN group. What Vietnam expects is that all Southeast Asian countries live together in friendship. Inversely, the ASEAN countries would not get any interests from the division among the three Indochinese countries.

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<sup>1</sup>Jusuf Wanandi, "ASEAN and the Indochina Conflicts" in *Peace and Security in the Atlantic and Pacific Region* (Jakarta: CSIS, 1983), p. 237.

Vietnam and Indonesia -- two countries bordering on the East Sea (South China Sea), the former in continental of Southeast Asia and the latter in off-shore of Southeast Asia. For millenaries, the East Sea far from being something like a gap, has served as a connecting link between the two parts -- the mainland one and the island one -- of Southeast Asia, owing to the monsoon and oceanic stream system and to man's will to break loose from isolation, establish cultural contacts and communication so as to eventually achieve concord in the region.

Vietnam and Indonesia, for more than four centuries now, have both fallen prey to successive aggressions of Western colonialist and imperialist powers and have both indomitably struggled for national independence and unity. And in the last four decades, both have indefatigably struggled for peace and cooperation in the region.

Vietnam and Indonesia have had the same adversary in the struggle for independence, peace and cooperation in the region, i.e. China with its expansionism and hegemonism.

The past 40 years constitute the hardest ordeal for peace and national independence in Asia, in general, and in Southeast Asia, in particular, and especially in Vietnam and Indonesia. Vietnam was subject to successive atrocious wars. Indonesia had to face the 1965 political upheaval. However, we both carried the day and have continued to maintain good relations between the two peoples and states. As the saying goes in Vietnam: "Long journey makes one aware of long road, long sojourn makes one aware of the host's sensibleness."

Vietnam and Indonesia have long been companions in the journey and, therefore, understood well each other's goodwill. No doubt, that is why they started official relations as early as 1955 and established diplomatic relations with each other on August 10, 1964, earlier than any such relations Vietnam had with any of the other ASEAN countries.

Today, Vietnam and Indonesia are carrying out the same historic mission -- building the country into a modern, prosperous one, firmly defending peace and stability in the region and keep up with their worthy part in the cause of the Non-Alignment Movement, with the objectives of opposing imperialism, colonialism and neo-colonialism, racial discrimination and zionism, and fighting for a new, just and rational world economic order.

As President Soeharto put it, despite our different political systems: "Let the differences continue to exist. What we are trying to endeavour is how these differences could unite us in beautiful harmony, like the harmonious beauty of a mutli-coloured rainbow."



# Indonesia-Vietnam Relations: Trade and Beyond

Hadi SOESASTRO

## IN SEARCH OF A FRAMEWORK?

From the point of view of analysis and policy formulation, bilateral economic relations between Indonesia and Vietnam exhibit a number of interesting features. The question is whether a framework for that relationship can be developed on the basis of one of those features.

Firstly, this relationship can be regarded as a case study of the so-called South-South relations and may be used to test the hypothesis which suggests that there are powerful reasons for developing countries to cooperate among themselves. This hypothesis, however, is built upon premises of an aggregated, mythical South. Indeed, most studies on this subject have employed this same heroic assumption.<sup>1</sup> There is always the problem that what may be valid for *all*, namely the Third World at an aggregate level, may not be true for *each*, i.e. at the more disaggregate level, regionally or bilaterally.

Be that as it may, various arguments have been developed to propose the setting up of cooperative arrangements -- formally as well as informally -- among developing countries. One such argument suggests that the world seems to be entering a period of chronic slow growth with serious implications for the developing countries which can be mitigated only if they increase trade with one another. This is the central thesis developed by Sir Arthur Lewis,<sup>2</sup> and

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<sup>1</sup>See, for example, Oli Havrylyshyn and Martin Wolf, *Trade Among Developing Countries: Theory, Policy Issues, and Principal Trends*, World Bank Staff Working Paper no. 479 (August 1981).

<sup>2</sup>W.A. Lewis, "The Slowing Down of the Engine of Growth," *American Economic Review*, vol. 70, no. 4 (September 1980), pp. 555-564.

which have become more relevant now in view of the strong pressures in developed countries to retreat behind protectionist walls. Propositions of this kind not unusually led to recommendations on the desirability of discriminatory trade liberalization via customs unions or free trade areas. Even UNCTAD has favored such recommendation.<sup>3</sup>

Another argument suggests that from the perspective of development strategy, South-South cooperation, particularly in the area of trade in which similar (manufactured) goods are likely to be exchanged, would result in greater opportunities to learn by doing, the shared technological requirements of the South, and to exploit economies of scale. Thus, transfer of technology and the exchange of (manufactured) goods are thought to be more appropriate within the South than between North and South. The latter as argued by "dependency theorists," would lead to further strengthening of colonial trade patterns.

Still another argument, which suggests the urgent need for South-South cooperation, is based on the frustrations with the lack of results produced by the North-South dialogue. It further argues that little change will occur in the present unequal relationship between North and South unless the South begins to organize its counterfailing power to accelerate the process of change in the international economic order. The South can create a counterfailing power through its own efforts, both by undergoing a structural change necessary to achieve collective self-sufficiency and in organizing greater collective bargaining at the international level.

Although it may be useful to view bilateral economic relations between Indonesia and Vietnam from the perspective of South-South cooperation, that relationship may be too insignificant to bring about the desired effects at the aggregate level. That relationship can have some contribution to strengthening cooperation among developing countries in the Southeast Asian region. Even so, the problems that exist do not seem to be easy to resolve either.

The above discussion leads to the second interesting feature and suggests the value of looking at that bilateral economic relationship from the perspective of the overall bilateral relationship itself. Elsewhere, this bilateral relationship was defined as an "esteem-based" relationship.<sup>5</sup> It was stated that

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<sup>3</sup>"United Nations Conference on Trade and Development," *Economic Co-operation Among Developing Countries*, TD/244, 11 April 1979, New York.

<sup>4</sup>See Hadi Soesastro, "Economic Cooperation among Countries in Southeast Asia," *Indonesian Quarterly*, vol. XII, no. 2 (April 1984), pp. 233-241.

<sup>5</sup>See Kajat Hartoyo, "Vietnam-Indonesia Bilateral Relations," *Indonesian Quarterly*, vol. XII, no. 2 (April 1984), pp. 242-244.



mutual respect between Vietnam and Indonesia has its roots in their common historical background, and their shared feeling based on their struggle for national freedom through revolutionary war. However, it was acknowledged as well that this esteem-based relationship will need more substance if it should be maintained and be developed further as time passes and generations change. Of the many areas of cooperation to be promoted to give substance to this relationship, economic issues, especially trade, have been given prominence.

The third interesting feature of this bilateral relationship is closely related to the second one, for it often is believed that inspite of the fact that the two countries are being put into opposing ends on the Kampuchean problem, "the persistence of some warmth in the relationship between Vietnam and Indonesia" makes it possible for Indonesia to adopt a two pronged approach in its relations with Vietnam. It is hoped, therefore, that this relationship could "contribute a lot to an eventual meeting of minds between ASEAN and the Indochinese countries."<sup>6</sup>

Although Indonesia's two-pronged approach find wide acceptance and support within the country, it has been suggested that the commitment of both parties to improve their bilateral relations -- which is an important element of that approach -- must be strengthened by a series of concrete measures and activities, particularly in the area of trade.<sup>7</sup>

The above brief review has shown that increasing trade often has been singled out as the important manifestation of and at the same time as a means to promoting improved relations and strengthened cooperation. Undoubtedly, trade is an important aspect in the relations among nations, if only because it is the most visible type of interaction to result in material gains or losses. But trade cannot be given too many functions and too ambitious objectives.

In order to appreciate this proposition as well as to properly assess this bilateral relationship, the next section briefly reviews the patterns of trade between the two countries.

#### PATTERNS OF INDONESIA-VIETNAM TRADE, 1978-1983

The value of two-way trade between Indonesia and Vietnam is embarrassingly small. A look at this bilateral trade statistics may suggest different conclusions. This low intensity of trade may indicate that the potentials have not

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<sup>6</sup>*Ibid.*, p. 243.

<sup>7</sup>See the Editorial of *Sinar Harapan*, March 14, 1984.

been fully exploited but it can also suggest that the opportunities to do so indeed are limited. It should be noted at the outset that so far no trade agreement has been signed between Indonesia and Vietnam, and that trade is conducted on an incidental basis. However, it cannot be determined *a priori* whether the lack of a trade agreement is mainly responsible for the low bilateral trade.

Table 1

ASEAN'S TRADE WITH VIETNAM  
(in million US\$)

	Imports from Vietnam						Exports to Vietnam					
	1978	1979	1980	1981	1982	1983	1978	1979	1980	1981	1982	1983
Brunei	—	—	—	—	—	—	—	—	—	—	—	—
Indonesia	1.7	1.5	.1	1.8	4.4	1.8	1.3	—	—	—	—	.4
Malaysia	1	—	—	—	2	7	—	1	—	—	1	1
Philippines	1.6	—	—	—	—	—	1.8	—	5.9	3.1	2.3	—
Singapore	14	16	18	13	21	33	41	48	49	72	35	45
Thailand	.5	.6	1.1	.4	.8	.3	11.8	21.4	12.4	.4	.5	.5
ASEAN	18.8	18.1	19.2	15.2	28.2	42.1	55.9	70.4	67.3	75.5	38.8	46.9

Source: IMF, *Direction of Trade Yearbook 1984*; See also Table 2 for Indonesian data.

Table 1, which exhibits Vietnam's trade with all ASEAN countries, purports to illustrate the small value of bilateral trade between Indonesia and Vietnam. In 1983, Indonesia's exports to Vietnam amounted to less than US\$0.4 million or less than 1 per cent of total ASEAN's exports to Vietnam. This low export, however, is also shared by other ASEAN countries, except Singapore. The latter country, in fact, has dominated ASEAN's trade with Vietnam: in 1983 Singapore's exports to Vietnam constituted about 96 per cent of total ASEAN exports to Vietnam, whereas its share of total ASEAN imports from Vietnam amounted to 78 per cent. In comparison, Indonesia's imports from Vietnam, which amounted to US\$1.8 million in 1983, constituted only 4.3 per cent of total ASEAN's imports.

In addition to the low trade intensities between Indonesia and Vietnam, there are other features worth examining. The first observation is with regard to the wide fluctuations in the values of trade, both ways. Imports by Indonesia from Vietnam fluctuated between US\$0.1 million in 1980 to US\$4.4 million in 1982. In the remaining years throughout the 1978-1983 period, Indonesia's imports from Vietnam were in the order of US\$1.7 million. As will



Table 2  
INDONESIA'S TRADE WITH VIETNAM (in thousand US\$)

SITC	Items	Indonesia's Imports from Vietnam						Indonesia's Exports to Vietnam					
		1978	1979	1980	1981	1982	1983	1978	1979	1980	1981	1982	1983
0.	Food and live animals	1,586.6	1.8	4.2	19.5	1,057.3	772.7	—	—	—	—	—	—
1.	Beverages and tobacco	—	—	—	—	—	—	—	—	—	—	—	—
2.	Crude materials, excl. fuels	20.3	12.8	49.3	69.8	3,169.8	921.2	—	—	—	—	—	—
3.	Fuels, lubricant, etc.	—	266.7	—	—	—	—	—	—	—	—	—	360.0
4.	Vegetable & animal oil and fats	—	—	—	—	—	—	—	—	—	—	—	—
5.	Chemicals	40.6	76.0	38.1	51.8	—	—	1,280.0	—	—	—	—	—
6.	Manufactured goods	24.7	16.3	19.5	41.3	96.2	45.3	—	—	—	—	—	—
7.	Machinery & transport equipment	19.7	1,127.2	7.8	1,364.0	68.3	54.5	—	—	11.2	—	—	—
8.	Miscellaneous manufactured goods	—	4.1	14.4	121.8	—	—	—	—	—	—	—	—
9.	Goods not classified	—	0.2	2.5	89.3	1.1	1.5	—	—	2.7	—	—	—
Total		1,692.0	1,505.1	135.8	1,757.5	4,392.7	1,795.1	1,280.0	—	13.9	—	—	36.0

Source: Import and export statistics published by Biro Pusat Statistik, various years.

be explained later, those more constant trade values not necessarily mean stable trade relations. Indonesia's export to Vietnam amounted to about US\$1.3 million in 1978 and only US\$0.4 million in 1983. In the intervening years there were hardly any exports to Vietnam.<sup>8</sup> The figures on the exports side tend to suggest the incidental nature of trade relations between the two countries.

This proposition seems to be substantiated when one examines the commodity composition of Indonesia-Vietnam trade, as exhibited in Table 2. Even on the basis of a 1-digit item classification, one would observe great instabilities in the commodity composition of Indonesia's imports from Vietnam. This instability becomes more apparent at the 3-digit classification, which clearly suggests the "one shot deals" in Indonesia's trade with Vietnam. Indonesia's export to Vietnam in 1978 of US\$1.3 million was exclusively urea, which did not continue in the following years. The US\$0.4 million export in 1983 was exclusively steamcoal (10,000 tons) which was repeated in the 1984.

Of no real economic significance is the persistent imbalance of trade in Vietnam's favor. A mentioning of this fact is made here to suggest the hypothesis that essentially Vietnam is more interested to increase its trade with Indonesia than Indonesia is vis-à-vis Vietnam. This asymmetry seems to hold even though both countries pay great attention to increasing their exports and to diversifying their trade.

In Indonesia's case, the small amounts of exports to Vietnam can be traced to -- at least -- two main causes. The first cause is the bias against small markets, especially those of developing economies. The second is the lack of a trading infrastructure which can accommodate trade, however small its volume may be, in a reasonably cost-effective manner. The argument can be developed that the marginal cost of increasing trade with Vietnam tends to be so much higher than that with other prospective markets. Apart from the small size of its exports to Vietnam, this apparently prohibitive marginal cost of entering the Vietnamese market seems to be mainly due to the lack of a developed trade infrastructure.<sup>9</sup> One main deficiency is the lack of financial arrangements, such as export credit schemes which suit many importers from developing countries. A failure in the recent past to increase Indonesian exports to Vietnam was due to the inability of the exporter to provide credits of longer than 6-months maturities.

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<sup>8</sup>Some insignificant value of export was reported in 1980. See Table 2.

<sup>9</sup>The same problem can be encountered in Indonesia's exports to non-traditional markets, such as Canada.



VIETNAM TRADE (in million US\$)

Imports	Total	USSR	IMF Total <sup>1</sup>	Major Partners					
				Japan	France	Sweden	Hong Kong	India	Singapore
1978	1,465.80	446.4	1,019.4	239.8	109.9	65.5	32.8	63.3	44.9
1979	1,653.00	680.3	972.7	128.3	109.6	61.5	20.0	101.3	52.9
1980	1,696.50	700.1	996.4	124.9	66.0	56.0	33.3	143.6	54.4
1981	1,817.10	1,006.4	810.7	120.1	88.2	24.8	29.9	143.7	79.0
1982	1,601.84 <sup>3</sup>	(804.2) <sup>2</sup>	636.8	101.4	25.7	23.9	65.5	129.2	38.2
1983	1,678.92 <sup>3</sup>	(904.1) <sup>2</sup>	594.0	131.3	35.7	12.7	60.9	116.3	49.5
Exports	Total	USSR	IMF Total <sup>1</sup>	Major Partners					
				Japan	France	Hong Kong	Singapore	Kampuchea	
1978	406.70	222.5	184.2	46.6	4.1	18.8	13.0	2.5	
1979	383.10	225.0	158.1	43.5	5.2	15.4	14.8	2.8	
1980	401.50	242.4	159.1	44.4	4.5	20.2	16.3	3.2	
1981	384.50	232.2	152.3	33.9	6.7	30.2	11.9	3.2	
1982	447.70 <sup>3</sup>	(206.5) <sup>2</sup>	199.9	32.7	5.4	73.9	19.2	2.9	
1983	498.78 <sup>3</sup>	(234.9) <sup>2</sup>	216.9	34.6	6.9	63.9	30.4	3.2	

Notes:

<sup>1</sup> The IMF total includes the trade with non-socialist countries plus Hungary, Romania and Yugoslavia, but not with the USSR nor the other socialist countries of Albania, Bulgaria, East Germany, Czechoslovakia, Mongolia, North Korea and Poland. Current Vietnamese imports from these seven socialist countries is estimated to be running about US\$150 million a year; Vietnamese exports to the seven are negligible.

<sup>2</sup> Expressed in rubles.

<sup>3</sup> Ruble portion based in exchange rate of 1 ruble = US\$1.20. Transportation costs for USSR-Vietnam trade are not believed to be included in the Moscow published figures; in this event about ten per cent additional should be added to the figures used here to cover shipping and insurance costs. Note also the ruble exchange rate used here (US\$1.20) is a conservative one; some economists believe a more correct one is US\$1.30, or even higher.

Sources: IMF *Direction of Trade*, 1984 (1977-1983 statistics); *Foreign Trade*, 1975-1984, USSR Ministry of Foreign Trade; *Research Monthly*, USSR-East Europe Trade Association (Tokyo), September 1982 (in Japanese).

During the visits of Foreign Minister Nguyen Co Tach to Jakarta in 1982 and 1984, meetings with Indonesia's Minister of Trade have become a standard feature, in which the Vietnamese Foreign Minister reiterated Vietnam's interest to import a few specific items from Indonesia: urea, textiles, coal, and cloves. Recently, this list has been extended to include petroleum products and cooking oil, as well as garments.<sup>10</sup>

Vietnam's interest to enhance its trade with Indonesia may be due to a variety of factors, some of which can be derived from Vietnam's overall economic policies at the aggregate level.

Starting with the 1980 annual plan exports were given a major focus, partly to earn the necessary foreign exchange to pay for food and other essential imports and partly to fulfil Vietnam's obligation to export to Comecon. Efforts to diversify its trade have also become an important policy objective of the Vietnamese government. This may be aimed at a better balance in Vietnam's trade structure with the convertible and non-convertible areas, which has deteriorated since 1979, as shown in Table 3. As reported elsewhere, in the sixth plenum of the Vietnamese central committee in July 1984, party secretary-general Le Duan noted that exports should not just be aimed at the socialist bloc, and "Vietnam should try to expand trade with nationalist, non-aligned and independent countries, and achieve a breakthrough in trade with the capitalist world."<sup>11</sup>

Greater determination on the part of Indonesia may be necessary to increasing trade relations with Vietnam, both ways. Even if this is the case, one should not overly emphasize the trade aspect of the relations. After all, the Vietnamese import market of about US\$1.7 billion in 1983, or one-eighth of that of Malaysia, is relatively a small one. In addition, trade activities -- especially import trade -- on the part of Vietnam are not without problems in view of the country's debt situation. Furthermore, Vietnam's foreign reserves have greatly diminished, from about US\$234 million in 1975 to a mere US\$16 million in 1983.<sup>12</sup>

Thus, increasing trade between Indonesia and Vietnam seems to require cooperation between those two countries far beyond the area of trade itself. The efforts must come from both sides.

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<sup>10</sup>This information was supplied to the author by the Embassy of the Socialist Republic of Vietnam in Jakarta.

<sup>11</sup>*Far Eastern Economic Review*, *Asia 1985 Yearbook*, p. 268.

<sup>12</sup>These figures have been reported by the *Far Eastern Economic Review*.



## BEYOND TRADE

In the efforts to increase cooperation between the two countries, other areas have been explored throughout the past few years. Cooperation in agriculture, public health, including family planning, and in other areas have been identified. Even governors from the respective Central Banks had met a few years ago. Foreign Minister Mochtar Kusumaatmadja also has indicated that there are prospects for cooperation even in oil and gas exploration.

Despite the many potential areas for cooperation, it does seem that bilateral economic relations and cooperation tend to remain stagnant unless a breakthrough of some sort could be initiated.

Indonesia cannot expect that the two-pronged approach can be effective unless the bilateral element of the policy is supported by concrete efforts which give substance to the relationship. Even though -- for reasons which the author fails to understand -- no word of disappointment has ever been aired by Indonesian officials regarding the slow process in bilateral negotiations on the continental shelf, this case has imprinted negative impressions on many Indonesians, officials and the public alike. It does seem timely for both sides now to re-assess the importance of an early resolution of the problems on the continental shelf, to go beyond the technical aspects of the negotiations into a satisfactory political conclusion. This, in fact, could provide for the kind of breakthrough so necessary to improve the quality and quantity of bilateral interactions between the two countries, economically and otherwise.

## Closing Remarks

Soedjono HOEMARDANI

It is regretable that we have to conclude our meeting at the point where we have just begun to explore in more depth the various problems of common concern to our two nations.

However unfortunate this may be, I do think that we have achieved something useful. When we all go back to our daily activities and reflect on the three days we have spent in this conference room, I am sure that we all will discover how rewarding this exercise has been.

I was not present in the First Vietnam-Indonesia Conference in Hanoi last year, but I was informed about the discussions and the atmosphere there. My Indonesian colleagues were very enthusiastic about the opportunity to exchange our views. In particular, the frankness on both sides was considered most valuable.

We have hoped that the success of the first conference will be repeated here. And I think we have achieved it. We have been frank with each other, and I hope that both sides will not misjudge each other's intention in being forthright. Because we have become close friends, we can and *should* be open with each other. Exchanges of nice words will no longer serve our purpose and our noble aims.



I am most encouraged by the way we have gathered here. On the Vietnamese side we have fifteen most prominent persons. The participants on the Indonesian side, I must admit, are rather large. Because of the large number of participants, we sometimes do not have sufficient time for the discussions. However, I do think that this extended audience is valuable to our efforts to know each other better. It is our tasks to bring in as many people as possible into this process.

We have gathered here not to solve immediate problems, but primarily to share our concerns, our views, and our determination to work for a better environment bilaterally and regionally. These tasks are of equal importance and value. For after all, it is also from our simple daily experiences that we have learnt about the importance of sharing, our knowledge and understanding as well as our empathies and feelings.

I am sure that my Indonesian friends would agree with me that this meeting has brought us closer together. We may still disagree on a number of issues, but we have come to understand each other better. Therefore, I propose that we should continue with this series of exchanges of views.

# List of Participants

## VIETNAMESE

1. Pham Binh, Director, Institute of International Relations, Head of the Delegation
2. Nguyen Khanh Toan, Professor, Academician, Academies of Social Sciences of the Soviet Union and of the German Democratic Republic
3. Hoang Minh Giam, Professor, Former Minister, Member of the Foreign Relations Committee, National Assembly; Chairman, Vietnam Committee for Solidarity and Friendship with Foreign Peoples; Chairman, Vietnam-Indonesia Friendship Society
4. Vo Dong Giang, Researcher of International Affairs
5. Do Trinh, Lieutenant General, Deputy Director, Military Academy
6. Vu Khieu, Professor, Vice Chairman, Committee of Social Sciences
7. Nguyen Kim Hung, Major General, Head of Department, Military Academy
8. Van Tao, Professor, Director of Historical Institute, Social Sciences Committee
9. Voi Dai Luoc, Professor, Acting Director, Institute of World Economy, Committee of Social Sciences
10. Cao Xuan Pho, Professor, Institute of Southeast Asian Studies, Committee of Social Sciences
11. Thanh Tin, Journalist, Member, *Nhan Dan* Newspaper's Editorial Board
12. Vo Quang, Lieutenant Colonel, Department of Foreign Relations, Ministry of National Defense



13. Vo Anh Tuan, Former Ambassador to the United Nations International Organizations at Geneva
14. Tran Le Duc, Acting Director, Asian Department III, Ministry of Foreign Affairs

## INDONESIAN

1. Soedjono Hoemardani, Inspector General for Development; Honorary Chairman, Centre for Strategic and International Studies (CSIS)
2. Soebiyakto, Governor, Institute for National Defense
3. Sabam Sirait, Member, Supreme Advisory Council
4. Maini Dachlan, Institute for National Defense
5. Soedja'i, Institute for National Defense
6. Fuad Hassan, Head, Agency for Research and Development, Department of Foreign Affairs
7. S. Wiryono, Director for North American Affairs, Department of Foreign Affairs
8. Wisber Louis, Director for Asia-Pacific Affairs, Departement of Foreign Affairs
9. A. Adenan, Directorate General for Foreign Economic Relations, Department of Foreign Affairs
10. Poerbo Soewondo, Secretary to Minister Coordinator for Defense and Security
11. Roeslan Abdoelgani, Head, Advisory Team to the President on the State-Ideology Pancasila
12. Hardi, Former Indonesian Ambassador to Vietnam
13. Soedibjo Rahardjo, Department of Defense
14. Sudibjo, Department of Defense
15. M. Arifin, Department of Defense
16. Jusuf Effendi, Department of Defense
17. Andriyati Gunadi, Department of Defense
18. Soenarso Djajoesman, State Intelligence Coordinating Body
19. Bambang Permadi, Department of Defense
20. Ismail Hasan Metarcum, Member, House of Representatives
21. David Napitupulu, Member, House of Representatives
22. Marzuki Darusman, Member, House of Representatives
23. M.A. Warga Dalem, Head, Foreign Contractor Coordinator, Pertamina

24. Widodo Sutiyo, State Secretariat
25. Soepono, Embassy of Indonesia, Hanoi
26. Theo Sambuaga, Member, House of Representatives
27. Juwono Sudarsono, Faculty of Socio-Political Sciences, University of Indonesia
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29. A. Ramlan Surbakti, Faculty of Socio-Political Sciences, Airlangga University
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69. Muhyidin Arubusman, National Committee of Indonesian Youth
70. Ikra Nusa Bhakti, Faculty of Socio-Political Sciences, University of Indonesia

# Programme

MONDAY, FEBRUARY 18

9:00 am      **Opening Session: OPENING REMARKS**

Soedjono Hoemardani  
Pham Binh

10:00 am      **Session 1: GLOBAL POLITICAL DEVELOPMENTS**

Thanh Tin  
Juwono Sudarsono

2:00 pm      **Session 2: INTERNATIONAL ECONOMIC DEVELOPMENTS AND ECONOMIC ISSUES IN SOUTHEAST ASIA**

Vo Dai Luoc  
Djisman S. Simandjuntak  
Dorodjatun Kuntjoro-Jakri

8:30 am      **Session 3: RECENT POLITICAL SITUATION AND THE SOLUTION FOR PEACE AND STABILITY IN SOUTH-EAST ASIA**

Pham Binh  
Jusuf Wanandi

WEDNESDAY, FEBRUARY 20

9:00 am      **Session 4: INDONESIA-VIETNAM BILATERAL RELATIONS**

Cao Xuan Pho  
Hadi Soesastro

**Closing Session**



## Tracing the Evolution of Political Parties in Indonesia

*The Political Party's Journey in Indonesia, A Portrait of Their Ups and Downs* (In Indonesian: *Perjalanan Partai Politik di Indonesia, Sebuah Potret Pasang-Surut*) by M. Rusli Karim. Jakarta: Rajawali, 1983, 304 pp. This review article is written by Tommi Legowo, a staff member of Department of Political Affairs, CSIS.

To arrive at the present situation, the life of political parties in Indonesia has gone through a series of long journeys. These long journeys of political parties were illustrated during the glorious and dark times as well. These were depicted to be a portrait of their ups and downs. These political parties' ups and downs were experienced in every stage of the Indonesian nation's journey, namely during the colonial period, that of independence and development today.

It has to be admitted as a point of fact that the life of political parties in Indonesia is a unique one. Their developmental basic thought is democracy; however at each stage of their process of existence, the term democracy has its own denotation. Up till now the Indonesian

nation has known parliamentary democracy, guided democracy and Pancasila democracy. During all those historic stages' as from the outset of this nation's independence until now, we honestly admit that it is only in this period of "Pancasila democracy" that the Indonesian people can develop and build themselves in a more secure, stable and planned manner. Meanwhile the life of political parties has developed more in the direction of a "mutual symbiosis" pattern instead of towards an "antagonistic" one. This is also the case with the patterns of social relationship. This reality shows that the general situation of the Indonesian society is in fact a reflection of the situation and atmosphere of its political parties, and vice versa. In other words, if party life is in disarray, the political life of the society will also become likewise. The Indonesian society has gone through such an experience, which is reflected in the evolution of political parties in Indonesia.

Now, part of that journey has been expounded in a more overall description in the book written by M. Rusli Karim entitled *The Political Parties' Journey in Indonesia, a Portrait of Their Ups and Downs*. It must be admitted indeed, that books on the history of political parties in Indonesia are still very scarce, those which are either written by foreign scientists and observers or by Indonesians themselves. It was on account of similar reasons that Rusli Karim's book had to be published immediately. This book seems to be the first manuscript in an attempt to depict comprehensively the development of political parties since their establishment until the present form prevailing now. Hence this book may be used as a handbook to complete our knowledge

on the life of political parties in Indonesia. Being a writing pretended to be scientific, Rusli's book should however be read carefully due to containing basic flaws in it, which is also admitted by Rusli himself that "... this book is not the most perfect one" (p. 4).

Rusli, in tracing back the journey of political parties in Indonesia bases his survey on an analytical descriptive method (p. 5). Hence this book has been systematised on the basis of Indonesia's historical periods consisting of six main sections, i.e., firstly, National Awakening and the Birth of Political Parties; secondly, the Early Period of Independence; thirdly, the Period of Liberal Democracy; fourthly, Guided Democracy; fifthly, the New Order and; sixthly, Political Parties Uniformity of Principle. Particularly in this case, the question arises as to why the life of political parties during the period of the New Order has to be separated from that of the determination of political parties uniformity of principle; isn't the determination of the political party's principle an integral part of the national political reform, namely to implement Pancasila and the 1945 Constitution consistently and authentically. This question has up to the last page of Rusli's book, not been answered. Aside from that, the division of periods made by Rusli shows an inconsistency. Therefore, if Rusli bases his system on the historical division of periods of the Indonesian nation's history it would have been more appropriate to use "the period of Pancasila Democracy" as the last chapter (Chapter V).

Based on those thoughts, depicting the ups and downs of political parties in Indonesia since the period prior to Independence up till now, Rusli views either from the number of organisations or uniformity of ideology, on the one hand which takes the form of a cone, on the other hand, however, he shows the "pluralism" of the Indonesian society. Prior to independence, political parties originating from social organisations grew in Indonesia from the bottom in a natural manner. At least ten social organisations were born. Empirically, Rusli has been quite successful in illustrating the institutionalisation of social organisations, starting from Budi Utomo up to Partai

Indonesia Raya (pp. 15-44). In analysing the current party life, Rusli however seems to put forward his subjective interpretation rather than producing objective formal analysis.

As to this "subjective interpretation," Rusli himself admits that he had some difficulties in avoiding subjective interpretations on certain aspects (p. 14). These certain aspects were apparently his inclination to obtain scientific proof as to whether Islam has indeed contributed a great deal in the development process of the Indonesian nation. This may not be wrong, since a substantial part of the Indonesian people are adherents of the Islamic faith. However such an inclination may give a wrong impression with regard to the historic course of the Indonesian nation. For example, Rusli writes that "Islam through their movements, was the first in this country to pioneer political activities aspiring after independence and Indonesia's unity." (p. 54). If in that statement Rusli is referring to "Sarekat Islam," this statement is supported by a weak argument, as objectively and formally speaking the first modern organisation aspiring after the unity and integrity of the Indonesian nation, in order to achieve their independence, was the "Boedi Oetomo." And this organisation was not one which was oriented towards the Islamic ideology. Whereas, the first political party which resolutely formulated its purpose to achieve the independence of the Indonesian nation was "De Indische Partij" in 1912. Sarekat Islam, on the other hand, which was founded by H. Samanhudi in 1911 was purportedly aimed to compete with the activities and position of the Chinese entrepreneurial group in the field of batik manufacture.

Similarly, Rusli's very strong subjective interpretation has forced him to leave out some important historic events which were closely related to the life of political parties in Indonesia. Those were, for example, the PPPKI (Permufakatan Perhimpunan-perhimpunan Politik Kebangsaan Indonesia -- Confederation of Indonesian Nationalist Parties) which later on changed into the Confederation of Political Parties on the Independence of Indonesia, the significance of the Youth Pledge in 1928 and GAPI (Indonesia's Political Association)



which cannot be found in Rusli's book. Basically those three happenings constitute a series of significant events for Indonesia's 1945 Independence, which means that the heterogeneous Indonesian society, after going through various experiences in their struggle, were finally capable of placing their ideology of *nationalism* above that of their respective groups and therefore, the Indonesian nation was capable of freeing itself from the yoke of colonialism. This nationalist ideology is not similar to that as a generalisation, presented by Rusli, identical with liberalism. As is known, Rusli classifies political parties and organisations in Indonesia in terms of their ideological orientation at that time into 3 categories: religion, socialism/communism and nationalism (p. 53). This classification is apparently too rigid. It would have been more prudent if they were to be classified according to their ideological orientation into: religion, nationalism and modern Western non-religious (secular) ideology.

After the Proclamation of Independence the life of Indonesian political parties continued to develop. At that time parties life was ameliorating following the issuance of the Vice-Presidential Decree (p. 65). This independence era gave another colour to the struggle of each respective political party. During the period before the independence, the struggle of social organisations and political parties was basically directed towards one primary objective, namely to elevate the value and dignity of the Indonesian people to the level of independent human beings; after the era of independence, however, it appeared that the struggle of political parties was inclined to proceed towards a "power struggle" in the interest of their respective groups. Ideological collisions emerged in the form of tripolar ideological conflicts. It seemed as if independence has been drugging the nationalist awareness of leaders the society at that time. Unfortunately Rusli does not state his analysis in this respect, particularly with regard to the ideological struggle waged by political parties in state's institutions (pp. 63-64). Nevertheless, Rusli manages to give a nearly complete descriptive illustration of political parties at that time with their respective characteristics. There

were not less than 28 political parties that are described by the author (pp. 68-105).

Those political parties ideological conflicts protracted up to the period of liberal democracy, the only period in which the climate was regarded being really conducive for the prolific growth of political parties (p. 107). Aside from that it was also a period, of no national stability so as to enable the Indonesian people to embark upon development. The general atmosphere in the country during that period was marked by protracted crises and upheavals. There was a continuous government instability followed by the occurrence of separatist movements with either ethnic or ideological undercurrents. It was during this period that discord increasingly spread and exacerbated. It seems that this situation is not touched upon in Rusli's analysis in which it is stated that "Although tens of big political parties were involved, they did not have the chance to disrupt national stability" (p. 123). Moreover, Rusli seems to use the term "stability" in an ambiguous sense.

Entering the years 1957-1959, the political map of Indonesia changed drastically. According to Rusli, this change was due to the strong desire of Soekarno to aggrandise his power (p. 132). Political parties were paralysed whereas the "military" presence was accelerated in Indonesia's political system. According to Rusli, it was in this period during which the "barren" period of political parties begun.

The Presidential Decree in 1959 automatically changed the national party system from a liberal democratic system into the guided democracy. During this period the number of political parties decreased. Domination of power was held by the former President Soekarno and PKI (the Indonesian Communist Party). The *Nasakom* (Nationalism-Religion-Communism) concept seemingly did not terminate the ideological conflicts within the Indonesian society although the concept was one of the means to achieve national unity.

With the birth of the New Order a "fertile" period for political parties has come back. Ten

political parties were directly involved in the 1971 General Elections (p. 167), this period however was terminated by the promulgation of Act No. 3, 1975 on Political Parties and Golongan Karya (Functional Group). Rusli opines that the attempt to simplify the number of political parties was a continuation of President Soekarno's effort prior to this period (pp. 172-173). The prospect of a brighter atmosphere of political life such as that during the liberal democracy period seems to be ruled out with the issuance of the decision on the adherence by parties to the one and only party principle (p. 129). Rusli seems pessimistic in that Indonesia will never experience again the glorious days of political parties such as experienced in the past. From this, one gets the impression that in fact Rusli prefers the liberal democratic system to be used as a mechanism in regulating party life in Indonesia.

As to the birth of Pancasila as the sole principle, according to Rusli's hypothesis, although the government does not explicitly refer to this Islamic group as one of the sources of commotion and political instability, various political upheavals have made the government to pay its attention to the Islamic group (p. 244). This upheaval, according to Rusli, was among other things due to the "Islam Jamaah" and Imran cs. Such an indication seems to develop a contradiction between the government and the Islam (community). Whereas what was meant by (the subversive) Islam only consist of a small group. As to the birth of the sole principle itself, the President has referred to the excesses of the election campaign -- in which there were even some casualties -- as the consequence of the existence of principle identities and narrow ideological orientation. It can even be said that Pancasila, as the sole principle, is a logical consequence of the consensus of the Indonesian nation at the time when Pancasila was determined to become the foundation of the state and the national ideology on August 18, 1945.

Regrettably no sharp and accurate analyses are presented in this book of 304 pages, by the author. His selection of literary sources also seems to indicate a strong inclination to subjectivity. Although Rusli attempts to describe the

political party life, his descriptive analyses did however not answer the problems that entail its causes and effects. As a book of scientific pretension, it seems having less weight. But as a piece of writing on documentative information on political parties in Indonesia, Rusli's book is worth reading.

## The Advancing Strides of Indonesian Women

*A Portrait of Women's Movement in Indonesia* (in Indonesian: *Potret Pergerakan Wanita Indonesia*) by Sukanti Suryochondro. Jakarta: Rajawali, 1984, 279 pp. This review article is written by Medelina Kusharwanti, a staff member of Department of Socio-Cultural Affairs, CSIS.

Since the beginning of her writings the author has tried to build up an overall, clear and consistent frame of thoughts, as to present the content of the book in a logical sequence from its first page up to the last.

In order to describe accurately the woman's movement in Indonesia in the light of a sociological observation, Sukanti has reflected various views and theories of some experts in the first pages (pp. 1-6), and at the same time using it as a criterion to analyse the problems to be presented.

The connection between the title of the book and its content has been dealt with by Sukanti in a careful manner. Hence the emphasis is on the discussion of woman's organisations in Indonesia as is apparent from its title "Pergerakan Wanita di Indonesia"



(Women's Movement in Indonesia), which has distinctly been elaborated. Without it the "portrait of women's movements in Indonesia" may be given the meaning of women's social movements which is formulated as a collectivity that has been existing for quite a long time and was aimed at, or being against a social change (p. 27). In addition, it may also be categorised as a social movement different from an informal group which activities are directed towards achieving its own interest or welfare without asserting any demand from the society. As long as a group is only working for its members, it does not as yet constitute a movement, though its members may eventually influence the society (p. 27).

Given the two notions on social movements as cited above, Sukanti's analysis which is only referring to formal women organisations is undoubtedly not adequate enough, since social movements as such do not only encompass formal organisations but also include other elements aside from the formal one, such as non-formal organisations, woman labour force potentialities, woman mobility in diverse fields, that may bring about social change. Hence Sukanti appropriately writes the following: but for the sake of this writing the classification which was among other things put forward by Blumer (p. 28), namely the division of reform and of revolutionary movements. Reform movements endeavour to reform a certain facet of society, the struggle of which are waged through existing institutions, such as schools, churches, the press and the government (p. 29). In other words, in order to have a more oriented and specific discussion, the author has built a periphery to limit the scope of the subject matter. What is meant by women's movements in this book does not differ much from the idea of a "reform movement," which is essentially the problem of woman organisation's life in Indonesia from time to time in bringing about social reforms. In her analysis women organisations are classified into those of various periods beginning from 1912-1975, with the background of their respective life and activities, of which basically each period has its own characteristics.

Starting from the ups and downs of the life and activities of these women organisations, their development and role in the process of nation building are viewed. This is a.o. reflected in the following quotations: "To realise the ideals for the progress of women and the stepping up of a nation's dignity it is deemed necessary to establish co-operation through an organisation" (p. 84). Sukanti writes further: "With the increase in the number of women organisations the idea of women's progress has also become widespread (p. 87). From mentioned quotations one can infer that in her view Sukanti attempts to indicate the progress of the Indonesian women by both the quality and quantity of their organisation.

Although in general women's movements are directed towards achieving equal rights for both men and women and supporting women's role to participate in international forums the realisation of world peace, Sukanti seems to share the opinion of many other writers in that, the Indonesian women's movements are more directed towards women's participation in the development efforts and the decision making process. One may read in *Newsweek* that it is very striking that issues widely discussed by Western females are considered not too relevant by most women of the Third World, including Indonesia. Mentioned opinion is not all wrong, since at present it is indeed not the time for Indonesian women to question their rights and position beside those of men. Women possess opportunities, chances and rights equal to those of men. The problem now is how women can use their rights and opportunities in the best possible manner. Women occupy a quite special place and position in society which may in turn be beneficial to women. Research findings as contained in the book on the identity of modern Indonesia (*kepribadian Indonesia modern*) by Y. Boelaars write: "mutually complementing as husband and wife can be found everywhere throughout Indonesia, consequently respect for women as mothers is included in the Indonesian identity."

The outlook as presented in this book seems to be broad enough, but has however been ex-

pressed in a narrow way. The writer has only highlighted organisations in Jakarta to represent Indonesia. Although in the chronological summary concerning the establishments of women organisations (p. 207), she also mentions some names of organisations in other regions, this does not follow that they are representative enough. Mentioned summary is more of notes and history-documentation nature without any reasonable background as the basis of the selection of the research samples. The more so if it is related to her aforementioned statement in which she states that an organisation is used as a means to measure progress, in this it seems as if the writer does not perceive reality. The reality of women who do not live in cities, those living in rural areas, who are not very keen being involved in organisations but which would not be regarded as unnatural if they also constitute progressive women who are taking part in the development process, although in the simplest form. Without using any respondent one cannot ascertain what has motivated women to get involved in organisations, so that the analysis presented may rather be based on assumptions and is too global in nature. The periodic classification put forth by the writer is hardly supported by arguments, that gives rise to a variety of among other things questions: why was it classified in the periods of 1912 up to 1975, what about the women organisations thereafter? Besides the periodic classification that is fixed in accordance with important moments of political life, is there no alternative in classification? Why?

The following remark which seems noteworthy here is the writer's subjectivity which is very pronounced in her analysis. The positive side of the problem posed has been put forward proportionately, but other angles which in fact may widen the scope and deepen the study are in many cases lopsidedly and hastily finished. The analysis seemed frequently inadequate without the presentation of other dimensions that may have given a clearer picture. "Although there existed an opinion that organisations of wives are regarded to be detrimental to the struggle of women, viewed from the sociological angle it seems to be

understandable" (p. 177). In fact the problem would have been more interesting if it had been elaborated more comprehensively. If the core of the matter had been related to actual and relevant issues it would have invited an enthusiastic response rather than only a monotonous one. How would the statement "detrimental to the struggle of women" be analysed, what would the possibilities be in future, would there be any shift of value accompanying the movement itself? In brief, a comprehensive analysis is called for, not only a period by period elaboration but the connecting link between the periods and the projection towards the future, complemented by an evaluation connecting the past, the present and the future, would also be necessary.

Other questions would have been raised, had the focus been placed on the leadership of women organisations pointed out by Sukanti (pp. 175-176). The analysis seems to be colourless since it has completely neglected the topic which has in fact become the focus of attention, the discussion on leadership is not at all related to the concern over the fact that the leadership of women nowadays is less based on their skill and capability but is more dependent on the position of their husbands. Sukanti has only focussed on one main problem, without developing it on other ideas, although she has hinted at this direction.

Since many things have not been put forward in this book, the presentation of it seemed therefore be just as it is, without any correction or new suggestions. It falls short of methodical conclusions that may sustain further studies.

Nevertheless this book has given a quite significant contribution to the illustration of women organisations that have or still exist, at the same time endorsing the idea that women constitute decisive factors in determining the progress and setback of a nation. Whether the picture presented has been adequate or not is another question.



## Digging Up the Charms of Rural Development

***Social Organisation and Planned Development in Rural Java*** by Sediono M.P., Tjondronegoro. Singapore: Institute of Southeast Asian Studies, 1984, 326 pp. This review article by Dedy N. Hidayat is translated from *Kompas*, 10 February 1985.

This book which is extracted from the author's dissertation constitutes a presentation of the findings of a study on organisational sociology in an attempt to dig up "the charms" of rural development -- particularly in Java -- which indirectly reveals what can be offered by that sub-section of sociology to the development efforts in Indonesia.

The rural areas -- where the majority of the Indonesian population live -- can never be left aside in the formulation of an effective and balanced national and regional development. Economic development will only be possible if the rural areas are capable of digging up their own resources and potentials to be used as a supply to make of themselves growth centres. Sediono, the author of this book, observes the need for an approach that will be able to bridge the gap between the traditionally oriented rural institutions and the rationally oriented government agencies. Furthermore, Sediono deems it necessary to find a solution of the problem concerning the organisation of rural areas in such a way as to be most instrumental and manageable, and which prerequisite is required to make the development a success with a wider social participation.

As to the technical implementation of the development programme today, the government seems to classify village units as the smallest organisational entities estimated as being capable of reflecting the needs of its members and at the same time implementing

the development programme. This classification may be made merely in the interest of its administrative expediency. But this fact may also be based on assumptions or the stereotype notion of a "village," as a homogeneous community that is still practising "simple democracy" and mutual assistance -- and, can therefore be expected to be still capable of responding to the stimulus of developments presented to them. Querying the validity of all those assumptions seems to be one of Sediono's attempts in his study.

### CONFLICT OF INTERESTS

The "case study" which is essentially an observation and a one-shot sample survey in the subdistrict of Cibadak, West Java, and in the subdistrict of Kendal, Central Java, seems to be able to record the face of the village more realistically. The field observation made has opened the possibility to have a more in depth picture of the phenomenon to be observed in its daily activities. This will widen the theoretical generalisation to be made. On the other hand, the accompanying survey sample has also opened the possibility for empirical generalisations of certain aspects of the phenomenon surveyed.

As to the notion of Javanese "village," this study revealed, that the one which is often associated with a small community of indigenous peasants, still regarded as an integrated entity and which is applying "simple democracy," is not any longer reflecting a reality. Surveys made on the level below the subdistrict conclude that the face of the village seems to be split into two social strata. The lower stratum fits into the context of "Padukuhan" or "Kemandoran" whereas the upper stratum should be viewed in the context of an aggregation of the so many Padukuhans or Kemandorans referred to above. The lower stratum is occupied by non-formal leaders and lower ranking village administrators such as, Kebayan or the village police, whereas the upper level consists of higher ranking village officials. Without mentioned distinction everyone will have a blurred perception which could be misleading. Among other things be-

cause those strata tend to function separately. Moreover, such a stratified structure will also show itself more in the nature of a social configuration indicating the difference of effectiveness in organisational life.

The upper stratum tend to realise the function of the interests of the upper class of the village so that it will lead to the alienation of the upper stratum from the lower one. In fact the existence of the split of interest between the upper and the lower stratum was observed by R. Jay in the 1950s namely during the 1955 General Elections during which time the Padukuhan level was actively campaigning. Conversely, during the 1971 General Elections -- Golkar (the Functional Group) found its stronghold up till the village level while the depolitisation process has silenced ideological conflicts of parties -- William Liddle observed that those who were active or made active in the campaigns were the upper stratum not the lower one at the level of RK (Neighbourhood Association) or "Padukuhan."

#### THE DECLINE OF DEMOCRACY AND MUTUAL COOPERATION

There are also many samples showing the incapacity of programmes of the upper stratum of the village to reach the lower one. The traditional institutionalisation presumed to be still effective, such as mutual assistance in building roads or irrigation network, is actually felt as an additional burden by farmers. The practice of mutual assistance today often than not represents a disguised wage system.

What is still left over from the practice of "simple democracy" with all its spontaneous acts is in fact pushed back to the lower stratum -- to the level of "Padukuhan" or even that of the Neighbourhood Association (RK = Rukun Kampung). In this lower level, the spirit of togetherness is not only fostered by the propinquity of domicile but also by the increased common interest. As an example, when a school is to be built, the question that arises is, in which RK will the plan be implemented? Organisational ties and communal unity, as far as the loyalty to voluntary associations and

elected leadership are concerned is apparent, and is more prevailing in the level of "Padukuhan" or RK than in that of the village. Those communal bonds which are stronger and more intimate are also mainly due to the still prevailing practices of democracy in the context of non-formal associations. Those values are reflected through activities of mutual assistance activities which directly meet the needs of small communities, such as "Padukuhan and RK."

#### THE NEED FOR A STRUCTURAL REFORM

At his final analysis Sediono comes to an argument, that because the small community at the Padukuhan level still possesses the valuable social treasure in the form of "simple democracy" referred to earlier, hence development efforts should utilise it as much as possible. In this case rural administrative units should be educative and protective in nature; local initiative should be able to be dealt with through social infrastructures to meet the demands of the majority who need most. If the situation of dual stratification in rural areas continues nowadays, it seems unrealistic for the government to expect participation by the rural community. Apparently, if the solution is sought after, development agents should first of all make efforts in re-democratising rural communities through the restructuring of their organisations.

Some implications of the restructuring efforts may comprise an administrative reform programme at the subdistrict and rural level. The subdistrict should become the last link in the bureaucratic and territorial hierarchy, where the Camat (subdistrict head) should more elicit initiatives from the sub-village. Further de-bureaucratisation, also requires the participation of the villagers, who among other things through the re-activation of the traditional deliberative institutions -- comprise representatives of the level of, for example, the Padukuhan. The development of democracy in rural areas also requires communication channels and more assured effective feedback, by the existence of voluntary organisations in-



dependent from the group of village officials. One of the constraints that has become the government's concern is the evaluation that too many local initiatives may put the uniformity of the development programme in disarray. Such an inaccurate evaluation may be traced back to its roots at the time of the multi-party system in the past, when the urban-based parties tried to spread their ideological influence among the loose community structure in rural areas. However, the current successful depolitisation efforts of the government should at any rate be balanced by the rehabilitation of the structure of the rural community able to ensure social participation. Sediono also further evaluates the efforts made to rehabilitate the democratic characteristics of rural areas. The prerogative that has its roots in the feudal era and which is presently still enjoyed by village officials (enjoying the acquisition of land as compensation of services, or "tanah bengkok"), has to be gradually abolished within a certain period of time.

#### OPPOSING THE HYPOTHESIS

The practical significance of this book is

obvious, that is, to provide an alternative in solving the problems of the rural areas. The writer apparently does try to present existing practical significance, so that the discussion on the academic significance seems to be left to the readers themselves to evaluate. Through the in depth description of the observed phenomenon the writer has been able to present a pleasant reading unlike the presentation of quantitative study findings which are generally stale. The discussions in this book would have been more preferable, however, had the writer been able to proceed in a smoother manner from the stage of data analysis to that of data interpretation. The technical significance of this book will be clearly noticeable by those who want to conduct a study on organisational sociology in rural areas. For example, the reader can notice the application of two approaches that are mutually sustaining (observation and sample survey), the application of snowballing as a technique of sample taking. The reader will also notice one example of courage of the researcher to rationally violate what has to date been known as the "sacredness" in the verification of social science's hypotheses at the level of 0.05. A book that is worth to be added to our book collection.

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